Chemical Information Resources for East Europe and CIS

CIREC MONTHLY NEWS

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

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Czech Republic | Slovakia | Hungary | Poland | Bulgaria | Romania | Croatia | Slovenia | Yugoslavia | Baltic States | Russia | Belarus | Ukraine | Transcaucasus | Central Asia | Kazakhstan

Issue 160, 6 April 2004

Features from the April 2004 issue

- Slovnaft plans to raise its investments in 2004 by 35% to roughly SKK 8.5 billion. Environmental policy still accounts for a noticeable part of Slovnaft's spending, particularly in view of EU accession. In the past few years, Slovnaft has harmonised its health, safety, and environmental (HSE) management in accordance with its majority shareholder MOL. Slovnaft has spent approximately SKK1 billion (€24.62 million) in the last three years on health, safety, and environmental projects to meet the requirements of EU environmental legislation.
- Nafta Polska will propose to the Treasury Minister in early April two ways of restructuring a key part of the chemical sector**.** The first possibility envisages forming a nitrogen company based on the Tarnów, Kê dzierzyn and Pu³awy fertiliser plants, while the second idea is to enhance the capital of the Pu³awy plant with the assets of the Tarnów and Kê dzierzyn plants.
- Continued investments in the automotive industry in Central Europe will generate strong growth in the consumption of plastics in the Czech Republic and across the region. Annual growth rates of up to 10% have been forecast, with the car industry accounting for most of the growth in polypropylene consumption. Car plants already exist at Mlada Boleslav, where Skoda auto operates, and Bratislava, where Volkswagen has a site. In addition, TPCA Toyota Peugeot Citroen is building a car plant at Kolin, to open January 2005, while PSA Peugeot Citroen is building a plant in Slovakia to open in 2006.
- One of the largest PET preform manufacturers in the Baltic region, the Nemuno Banga Group, plans to construct a new plant at Klaipeda in 2005. The amount of investment in the project will be around 300 million lit, or around $117 million. The new plant will enable the company to develop the complete production cycle, from raw materials through to end-use products.
- Gazprom and Mark Getty, co-founder of Getty Images, are embroiled in a legal dispute over a stake in a jv called Stimul in Orenburggazprom. Both sides have stated that they plan legal action to regain the majority stake. Gazprom maintains that Stimul is crucial for its operations, as it is a major supplier to Orenburggazprom and Salavatnefteorgsintez.
- SIBUR's stabilisation in the past year has allowed the company to renew investment activity. In 2003, the company approved more than 50 investment projects, most of which are focused on upgrades and modernisation. Developments at Kstovo, with SIBUR-Neftekhim, at Perm, with SIBUR-Khimprom, at Tobolsk, with Tobolskneftekhim act as important planks of SIBUR's strategy.
- A project for soda ash is being assessed in Kazakhstan at the detergent company Kazsoda, which is 49% owned by the Investment Fond of Kazakhstan and 51% owned by the Sari-Tas, which is the government packet. The project would be constructed in the Zhambul region and would have 200,000 tpa of capacity. The project concept is not entirely new, but dates to an agreement in March 2003 with the Turkish company BVT to invest $120 million into a phosphate derivatives plant. In terms of demand, a total of 37 companies in Kazakhstan use soda ash in varying quantities.

CENTRAL EUROPE

Czech Republic

(Czech crown, Kc, Mar 27, $1 = 26.84, €1 = 32.68)

Unipetrol
The deadline for the final bids for Unipetrol is fast approaching. Orlen has been reported to have concluded consortium agreements with Conoco/Phillips and Agrofert, with perhaps some general outline of who would get what in the event of success. The Kazakh company KazMunaiGaz is known to be pursuing the bid process, although it was not selected for due diligence. KazMunaiGaz is only interested in the oil refining facilities and thus would need to find a consortium partner to become involved more seriously. There is some speculation that KazMunaiGaz has been in discussions with one of the three selected companies for due diligence, but nothing has been confirmed.

Audited figures released by Unipetrol show Spolana with the highest loss among the group's subsidiaries in 2003, followed by the fuel retailer Benzina and the Paramo refinery. According to preliminary figures, Ceská rafinérská (CeRa) netted Kc 416 million last year, up from a Kc 715 million loss on 2002. CeRa refined 5.9 million tons of oil last year, an increase of 6%. As from August 2003, the company has been operating as a processing refinery.

Spolana showed an audited loss of Kc 2.6 billion last year, after a Kc 490 million loss in 2002, mainly due to lower demand for its products and losses suffered during the August 2002 floods. However, its sales rose to Kc 4.7 billion last year from Kc 3.7 billion. Chemopetrol showed an audited profit of Kc 125 million, an increase of Kc 109 million. The company's revenues were up 10% to Kc 18 billion in 2003, mainly due to an improved climate on the market. Kaucuk at Kralupy netted Kc 129 million last year, down from Kc 341 million in 2002, due primarily to cost-cutting measures. The company's audited revenues rose 5% to Kc 7.5 billion. The parent company Unipetrol posted an audited loss of Kc 220 million, which it attributes to high depreciation and a provision for its investment in Benzina.

EU expansion and polyolefin consumption
Continued investments in the automotive industry in Central Europe will generate strong growth in the consumption of plastics in the Czech Republic and across the region. Annual growth rates of up to 10% have been forecast, with the car industry accounting for most of the growth in polypropylene consumption. Car plants already exist at Mlada Boleslav, where Skoda auto operates, and Bratislava, where Volkswagen has a site. In addition, TPCA Toyota Peugeot Citroen is building a car plant at Kolin, to open January 2005, while PSA Peugeot Citroen is building a plant in Slovakia to open in 2006.

Growth in nonwoven fibres will also boost polypropylene consumption, with demand forecast to grow from around 198,000 tpa in 2003 to about 290,000 tpa in 2008. Currently, Central Europe consumes about half as much plastics per capita as in West Europe. Growth in the region's building and packaging industries could also boost the Czech Republic's consumption of polyethylene from around 75,000 tpa in 2003 to around 115,000 tpa in 2008, with annual growth rates of 7-8%.

Supply will be easily available following the completion of the Basell Orlen Polyolefins (BOP) polypropylene project, the construction of the new unit at Slovnaft, and the completed expansion of TVK's facilities. The increase in the region's plastics production will lead to a significant surplus of polyethylene in Central Europe, at least for the medium term. Estimates suggest that one-third of the one million tpa of polyethylene to be produced in 2008 will become surplus.

BC-MCHZ aniline expansion
The Czech subsidiary of BorsodChem Rt, BC- MCHZ at Ostrava, will spend Kc 500 million on the expansion of its aniline plant. Capacity will be expanded to a level which will equate to around 10% of total European production.

Slovakia

(Slovak crown, Kc, Mar 27, $1 = 32.99, €1 = 40.211)

Slovnaft and the environment
As part of Slovnaft's integration into MOL-TVK only the olefin and polyolefin divisions are included, whilst the other products such as ethylbenzene, paraxylene, ethylene oxide, etc, remain part of the refinery and petrochemical division of Slovnaft.

Slovnaft plans to raise its investments in 2004 by 35% to roughly SKK 8.5 billion. Environmental policy still accounts for a noticeable part of Slovnaft's spending, particularly in view of EU accession. In the past few years, Slovnaft has harmonised its health, safety, and environmental (HSE) management in accordance with its majority shareholder MOL.

Slovnaft has spent approximately SKK1 billion (€24.62 million) in the last three years on health, safety, and environmental projects to meet the requirements of EU environmental legislation. Annually the company outlays about SKK 400 million (€9.85 million) into environmental projects. The main targets are the further reduction of air emissions, a decrease in water consumption, a further increase in the efficiency of waste management, and the elimination of water pollution and soil contamination. The local administration recognises that emissions have decreased since Slovnaft increased its spending.

One of Slovnaft's current major environmental projects is a facility for the deep desulphurisation of gas oil. Slovnaft has invested SKK2.5 billion (€61.55 million) in the upgrade. The construction of the unit should be completed in 2004. After the finalisation of the project, Slovnaft will be able to produce diesel fuel complying fully with EU requirements, valid not only from 2005 but also those from 2008.

Replacing two existing polypropylene production units with a modern Polypropylene 3 unit will also reduce the effects on the local environment. The new unit will facilitate a reduction in SO2, NOx, and CO emissions by roughly 23 tpa, VOC by 390 tpa, and the reduction of cooling water consumption by more than 10 million cubic metres per annum. Construction of the new unit should be finished by the beginning of 2005.

Hungary

(Hungarian forint, Ft, Mar 27, $1 = 206.66 €1 = 251.62)

TVK

In accordance with the guidelines of the EU, Hungarian legislation has provided for the possibility of purchasing energy on the free market. TVK will be looking to exploit the advantages of the free market similarly to BorsodChem. TVK has launched talks on selling its minority 26% stake in the power plant TVK-Eromu Kft to the majority owner Emasz, the power utility of the northern Hungary region. The company plans to use the proceeds of the sale to finance TVK's ongoing petrochemical development project. TVK's stake in the power plant is estimated at HUF 750 million.

OTP Bank financed 75% of the €53.33 million cost of the 34 MW gas-fired combined-cycle plant, with the remaining 25% financed by the company's owners. The plant was built at TVK's site in Tiszaujvaros (northeast Hungary), and was planned to meet the thermal energy and demineralised water demand of TVK and MOL's Tisza Refinery.

MOL

MOL Rt plans to invest Ft 6 billion in the construction of a new pipeline between Tiszaujvaros and Szazhalombatta. MOL and its subsidiary, Hermész Ltd have exercised MOL's call option right established under the agreement between MOL and Magyar Külkereskedelmi Bank signed on 22 September, 2000 for the purchase of an 8.02% stake in TVK. Following the exercise of the call option and the closing of the transaction, the combined influence of MOL and Hermész Kft. in TVK will be 60.57%.

Regarding the merger of MOL and Orlen, the Polish side, the government has made it clear that it objects to the merger, under the argument that Orlen's current valuation would not give it an appropriate bargaining position.

Poland

(Polish zloty, zl, Mar 27, $1 = 3.90 €1 = 4.75)

Orlen

The management of both boards of Orlen and Nafta Polska have held a meeting in order to discuss several sector related issues, including the third stage of privatisation of the P³ock-based concern and regional consolidation. However, the majority of the time was devoted to the planned merger between Orlen and MOL which could be a most important development in the region. Orlen has disclosed that after 8 April, it will negotiate initial terms for swapping shares with MOL, which will be the firs real introduction to the merger process. An agreement concerning this issue is to be signed on 30 April.

Nafta Polska
Nafta Polska will propose to the Treasury Minister in early April two ways of restructuring a key part of the chemical sector**.** The first possibility envisages forming a nitrogen company based on the Tarnów, Kê dzierzyn and Pu³awy fertiliser plants, while the second idea is to enhance the capital of the Pu³awy plant with the assets of the Tarnów and Kê dzierzyn plants.

The president of Nafta Polska openly favours the second option, arguing that this is more likely to spur positive changes in the sector, and also that it is the quickest solution, as Nafta Polska wants the new company to be formed in July. Later, around half of the shares in the new enterprise will be floated on the Warsaw Stock Exchange. A similar possibility is envisaged for the phosphate plants which may be consolidated around Zak³ady Chemiczne Police.

An option is envisaged for separate companies dealing with melamine and caprolactam. ZA Pu³awy is already searching for partners for processing melamine, urea resins and caprolactam. Potential candidates that have been suggested include PKN Orlen and Rhodia, the latter for its benzene supplies. Other partners could include the Nylstar, a jv between Rhodia and SNIA, which is the co-owner of Gorzow Stilon).

Ciech
At the beginning of October 2004 Ciech is scheduled to mark its debut on the Warsaw Stock Exchange (WSE), and offer 30% of its shares in a bid to raise between zl 160-200 million. The funds will be used to acquire another Polish chemical company, which could either be Zachem at Bydgoszcz or Organika at Sarzyna. Ciech recently announced that the strategy up to 2007 will be based on two fundamental market segments, soda ash and pharmaceuticals. Following the share issue, the State Treasury's stake in the company will fall from the current level of 52% to 40%.

Zachem
On 12 March, the Polish Ministry of Finance announced the intention to sell Zachem, which is a part of Nafta Polska. Apart from Ciech one of the other possible buyers is BorsodChem, which is reported to want to begin negotiations as soon as possible. However, Nafta Polska has not yet determined the value of Zachem's assets and plant capacities, which needs to be resolved before the matter can be taken further. Also, the Ministry of Finance has not yet finished the transfer of its share holding in Zachem to Nafta Polska. Zachem's turnover in 2003 was approximately $180 million.

Basell Orlen Polyolefins (BOP)
BOP has received an award for the project financing for the construction of new sites for polyethylene and polypropylene. Project Finance magazine awarded Basell Orlen Polyolefins its European Petrochemical Deal of Year 2003. The investment is considered among the biggest in the Polish petrochemical industry and one of the largest among different industry sectors according to Polish government statistics. The uniqueness of the project lies in the fact that this twin facility for polyethylene and polypropylene is being built from the ground up simultaneously.

Basell as a corporate group is planning to improve polyethylene profits by focusing on three strategic directions. These include the pursuance of low-cost feedstock options, the restructuring the company's European operations and concentrating on integrated positions, and focusing the product line on the premium margin LDPE film applications and selected higher added value HDPE segments.

The product line focus is best reflected by the construction of two new world-scale HDPE plants at Wesseling in Germany and at Plock. Both new plants are back integrated into crackers and refineries. The two plants, each with a capacity of 320,000 tpa, are based on the most recent developments of Basell's Hostalen technology. At the same time the company will close approximately 300,000 tpa of older, less efficient HDPE capacity. This capacity has insufficient integration and is no longer competitive. No decision has been made about which plants may be affected.

SOUTH EAST EUROPE

Romania

Romanian refineries
LG International Corp has secured a $150 million order from Petrom to build a refinery plant, as part of a consortium with SK Engineering & Construction Co. The plant will be completed at Pitesti in 21 months starting from April, and will be designed to desulphurise 24,000 barrels a day. The European Bank for Reconstruction and Development will support the plant construction.

As from 5 April 2004, Rompetrol has started listing its shares in Petromidia at the Bucharest stock exchange. Petromidia processed 3.81 million tons of crude in 2003, up from 3.2 million tons in 2002. Rompetrol hopes that the refinery would process more than 4 million tons of crude in 2004. Rompetrol acquired Petromidia refinery in 2001 and has started an ambitious restructuring plan which increased the processed crude from 2.3 million tons in 2001 to 3.81 million tons in 2003. The turnover also rose from $300 million in 2001 to an expected $1.19 billion in 2003. Besides Petromidia Rompetrol owns the Vega Ploiesti refinery. Rompetrol is closely observing developments in the petrochemical sector and intends to become more active as a producer when the local and regional markets are large enough to justify investment.

Petrom
Romania has extended the deadline for the submission of binding tenders for the Petrom privatisation by ten days until 16 April. MOL has said that it is looking at the privatisation of Petrom alone, without the inclusion of Orlen despite current merger negotiations. Romania plans to close the sale of Petrom by the end of June, with up to seven companies expected to submit binding bids. The sale is estimated to fetch about $1 billion.

BALTIC STATES

Nemuno Banga Group
One of the largest PET preform manufacturers in the Baltic region, the Nemuno Banga Group, plans to construct a new plant at Klaipeda in 2005. The amount of investment in the project will be around 300 million lit, or around $117 million. The new plant will enable the company to develop the complete production cycle, from raw materials through to end-use products. The project will be undertaken using Austrian funds from Raiffeisen Bank, and possibly some Lithuanian banks could provide a demand line of credit at a rate of 250 million lits. Zimmer will be the project contractor.

The Nemuno Banga Group sees the Klaipeda plant as a part of the European strategy of not relying solely on local and regional sales. The Klaipeda plant will have a capacity of 150,000 tpa of PET-preforms. Nemuno Banga Group produced around 70,000 tons of PET preforms in 2003. The company already has plants at Lentvarise (Lithuania), St Petersburg and Kiev. Nemuno Bangos Group took a 100% ownership of shares in the Ukrainian preform producer Alex Pak at the end of last year.

EURASIA, COMMONWEALTH OF INDEPENDENT STATES

Russia

(Rus rouble Mar 27, $1 = 28.49, €1= 34.720)

Russia's chemical and petrochemical production increased by 10.7% on year in the first two months of 2004. Mineral fertiliser output reached 2.6 million tons, 17.2% up on year; tyre production grew 9% to 6 million tyres, synthetic rubber production increased by 19.6% to 196,000 tons, and sulphuric acid production was up 7.4% to 1.6 million roubles. In the olefin and polyolefin sectors there was little movement in production levels, with most plants running close to capacity. Polystyrene production was up, however, on the back of the new plant at Nizhnekamsk and also styrene production which has increased at Salavat.

Russia increased its foreign currency revenues from the chemical exports by 24% in 2003 to about $6.9 billion. The anti-dumping sanctions adopted by some countries held back the sales of Russian products in the international marketplace in 2003.

In 2003, Russian chemical companies sharply increased interest in the certification of quality management (SMK) in line with the standards of ISO 9000 series. About 6% of the companies to date report that they have became owners of the certificate. This certification helps to promote better quality throughout the companies in terms of management, and access to foreign markets, such as participating in competitions and tenders, etc.

Oil refining
Walter Tosto Serbatoi (WTS) has won a $8.5 million contract to modernise the hydrocracking at the Kirishi oil refinery. The plant is at 300 km from the Estonian border, at 130 km from St Petersburg, and is run by Surgutneftegaz. WTS will build process columns, with a diameter of 10 metres and 800 tons tanks, 135 mm thick.

SIBUR/Gazprom

SIBUR's stabilisation in the past year has allowed the company to renew investment activity. In 2003, the company approved more than 50 investment projects, most of which are focused on upgrades and modernisation. Developments at Kstovo, with SIBUR-Neftekhim, at Perm, with SIBUR-Khimprom, at Tobolsk, with Tobolskneftekhim act as important planks of SIBUR's strategy.

SIBUR's regional policy

SIBUR has been in close contact with a number of regions since the start of the year, not only to further the cause of co-operation in areas of hydrocarbon and petrochemical development, but also to help in tackling some important economic issues in the different regions. Tobolsk, Kemerovo and Perm have all been visited by SIBUR's top management since the start of the year, with a number of important agreements reached. Discussions with the local administrations have focused on investment possibilities and taxes.

One of the most important regions is Tyumen where SIBUR has agreed to provide a strategy of development at Tobolsk-Neftekhim, including projects for the production of butyl rubber and halobutyl rubber, propylene, polypropylene, high octane gasoline.

SIBUR-Neftekhim

SIBUR-Neftekhim's Production at Kstovo & Dzerzhinsk (unit-tons)

Product	*Jan-Feb 04*	*Jan-Feb 03*
Ethylene	34,760	27,180
Ethylene Oxide	10,696	5,934
MEG	26,982	25,963
DEG	3,312	2,773
TEG	231	166
Propylene	17,720	14,703
Benzene	12,197	9,541
BBF	8,150	10,599
C5	3,666	3,945
C9	2,641	1,824
Chlorethyl	360	597
EDC	13,008	10,821
PVC	5,802	4,902
SODA ASH	12,679	11,437
Chlorine	1,832	2,250
Plasticizers	7,455	4,327
Eth chlorohydrin	1,778	1,680

SIBUR-Neftekhim generated a 13.6 million rouble net profit in January 2004 vs. a 28 million rouble net loss posted in the same month last year. The company has been reporting break-even results since May 2003. The 2004 net profit is expected be in the range of 146 million roubles vs. a 176 million rouble net loss in 2003. Sales' earnings in 2003 amounted to 4.294 billion roubles vs. a total of 4.013 billion roubles in 2002. The 2004 business plan stipulates sales' earnings of up to 5.326 billion roubles.

SIBUR-Neftekhim is constructing two power plants for its petrochemical facilities at Dzerzhinsk and Kstovo at a cost of 1.3 billion roubles. The power plants will have capacities of 50 megawatts each, and will allow SIBUR-Neftekhim to completely phase out purchases of steam and almost half of electricity requirements.

On 2 April, SIBUR-Neftekhim was accepted into Dzerzhinskkhimregion, an association which focuses on the social aspects of the chemical industry in the Dzerzhinsk region. The environmental problems at Dzerzhinsk, resulting from the Soviet era when the region was developed into a major chemical production centre, are immense and are well documented. SIBUR-Neftekhim has expressed the view that it needs to work closely with Dzerzhinskkhimregion in order to try and improve the economic and social conditions affecting the region.

SIBUR-Khimprom

SIBUR has been in dispute in the past few weeks with the Perm Administration over the creation of SIBUR-Khimprom, which resulted from the bankruptcy of Stirol and the Plant of Butyl Alcohols back in 2001. The claim is that SIBUR, under the old ownership structure, acquired the assets too cheaply. The ownership question dates back to when Goldovskiy was in charge at SIBUR. In May 2001, the property of ZBS and Stirol was sold to SIBUR-Khimprom at balance cost, with the instalment plan of payment agreed over a period of 25 years. It seems that the current management of SIBUR is trying to resolve the difficult situation created by the previous leadership. Even so a cooperation agreement between administration of Perm and SIBUR nevertheless has been signed and according to the preliminary plans given by SIBUR-Khimprom budgetary payments to the local administration will total about 265 million roubles in 2004.

Stirol and the Plant of Butyl Alcohols (ZBS) were owned previously by Interkhimprom-Oxosintez. Production levels were restricted by a lack of finance and thus in 2000 the ethylene plant produced only 23,000 tons from its 60,000 tpa capacity. Since SIBUR has become the owner the oxo alcohol division has been modernised thus leading to full utilisation levels. A number of projects involving ethylene, polyethylene and styrene are under review.

Tobolsk-Neftekhim
Tobolsk Neftekhim suffered an explosion which has destroyed a line for the production of butadiene. At least one fatality resulted with other serious injuries. The explosion was caused by gas pipe which had been forgotten to be turned off. The butadiene plant has stopped production. Tobolsk-Neftekhim now makes more than half of all Russian butadiene though in the general output of combine it makes only 13-15%.

SIBUR subsidiary production
SIBUR is running its subsidiaries as close as possible to full capacity. Togliattikauchuk produced 4,397 tons of butyl rubber in March, with capacity close to full utilisation. Maximum output can be achieved only through optimising the entire production cycle. Export-bound butyl rubber production from the plant grew by 5.5% in the first quarter. The production of butadiene-styrene rubber at Togliattikauchuk also grew by 5.5% in Q1, with the total synthetic rubber production target being exceeded by 11%. In March, isoprene rubber production by Togliattikauchuk was 13,400 tons, or 16% above the planned target. Production in the first quarter is likely to be double the volume in the same period last year.

In the fibre sector SIBUR-Volzhskiy in the Volgograd region produced 1,573 tons in March 2004, 1% up on March last year. In 2003, SIBUR-Volzhskiy produced 19,205 tons of fibres in total, 7.7% up on 2002.

Tatarstan

Tatarstan is focusing on trying to attract investment for its grandiose expansion plans in the petrochemical sector. In the refining sector, these plans consist broadly of increasing naphtha production from 767,000 tpa up to 1.8 million tpa, diesel fuel from 1.1 million tpa up to 5.3 million tpa, kerosene from 130,000 tpa to 500,000 tpa, gasoline from 360,000 tpa to 950,000 tpa.

The main concept in relation to petrochemicals is that production of ethylene will grow from 600,000 tpa to 1 million tpa, polyethylene from 500,000 tpa to 900,000 tpa, and synthetic detergents from 50,000 tpa to 150,000 tpa. The ethylene question is the main key to the development of derivatives, but the increase to 1 million tpa seems some way off for now.

Tatar-American Investments & Finance (TAIF, Kazan) has consolidated 33.22% of its stocks in Kazanorgsintez. TAIF was set up in 1995 as a jv of Tatarstan (a state-run stake of 50.01%) and the US company NKS Trading Inc. The TAIF Group unites 33 enterprises and operates in five major fields, including finance market, telecommunication, construction, services, refining and petrochemicals. It holds stakes in major enterprises including 7% of Tatneft, 11% of Nizhnekamskneftekhim, and 7.5% of Nizhnekamsk NPZ.

In 2004, Tatneft forecasts an increase of 15% in commodity output up to 15 billion roubles. In the first quarter of 2004 Nizhnekamskneftekhim increased production by 5.3% against the same period last year. Kazanorgsintez increased output by 17.1%, with the profitability in sales growing from 17% to 26 %. The tyre manufacturer Nizhnekamskshina, which is a major part of Tatneft, plans a turnover of 11.5 billion roubles in 2004. In the third quarter of 2004 Nizhnekamskshina plans to start up a new line based on Pirelli design with a capacity of 2 million tyres per annum.

Nizhnekamskneftekhim

Polystyrene
Europlastik, a trade arm of the Nizhnekamskneftekhim polystyrene plant, has started the sales of new polystyrene grades 524Â and 945 produced by Nizhnekamskneftekhim. General-purpose polystyrene 524B is intended to be used as a co-extrusion gloss finish coat. According to Russian polymer converters, which have pilot-tested this grade, 524B polystyrene performance is comparable to foreign producers such as BASF and Dow. The mechanical performance of super high-impact polystyrene grade 945 produced by Nizhnekamskneftekhim is comparable to ABS plastics. Europlastik believes it can be used as a more cost-effective equivalent of ABS-plastic.

Benzene
In order to support styrene monomer production Nizhnekamskneftekhim is being forced into the open market to supplement its captive output. Currently, the Nizhnekamsk benzene plant is producing around 165-170,000 tpa of benzene from the ethylene plant. However, cheaper and more readily available coke benzene is available for purchase. Cracker produced benzene is scarce on the market due to the start-up of the ethylbenzene plant at Salavat last year. For each ton of coke benzene yields after refining range from 900-950 kg. These reasonable

figures pushed Nizhnekamskneftekhim into signing a long-term agreement for the supply of relatively cheap coke benzene from the Altai region.

Lubricants
The new lubricants plant located at Nizhnekamskneftekhim, which is managed by Tatneft-Neftekhim, started production in December 2003 and is expected to reach 30,000 tons in 2005. Annual capacity will expand to 60,000 tons by 2007. The Tatneft-Nizhnekamskneftekhim-Oil jv runs the plant with Tatneft holding 74%, and Nizhnekamskneftekhim - 26%. The jv was established in April 2000 to construct the unit, based at the alpha olefin section of Nizhnekamskneftekhim. The project value was $48.9 million, with Tatneft covering 80% of investments.

Synthetic rubber
The SKI division also plans to start the production of divinyl styrene rubber (DSSK) in April. Together with polybutadiene and polyisoprene rubber, DSSK will make the complete set of necessary raw materials for the production of modern tyres. The DSSK unit will have a capacity of 50,000 tpa, and will initially be focused on export activity.

Around 29,000 tpa of isoprene has been produced by the SKI division of Nizhnekamskneftekhim for last three years, based on the one stage synthesis method. Perfection of this method has allowed the company to increase isoprene production gradually.

In 2004, the SKI division expects to produce 30,000 tons of isoprene-monomer from one stage synthesis method. The ultimate goal is to increase capacity to 160,000 tpa, with a gradual phase out of the two stage method. For this purpose it is necessary to construct a bigger unit which the company plans to finance from its own reserves. The cost of the project is estimated in the range of 25-30 million roubles.

Orenburg

Orenburggazprom has been in talks with Kazanorgsintez regarding the construction of a petrochemical complex at Orenburg. The aim is to build a polyethylene plant with a capacity of 300,000 tpa, together with polyethylene processing capacity of up to 70,000 tpa.

Kazanorgsintez and TAIF (Tatar-American Investments & Finance) are also considering an option to participate in upgrading the Orenburg-based helium plants. Kazanorgsintez is the largest consumer of ethane produced by the Orenburg-based helium plant.

Orenburggazprom is interested principally in making finished products. The creation of a vertical chain into polymers has been estimated by the company to be as much as five times more profitable than by simply selling ethane. Orenburggazprom sees the production of polyethylene powder, pipes and containers as much more viable, where ethane is used as feedstock. However, these plans require serious investments and thus Orenburggazprom has offered partners, such as Kazanorgsintez, some possibilities of co-operation.

Gazprom and Mark Getty, co-founder of Getty Images, are embroiled in a legal dispute over a stake in a jv called Stimul in Orenburggazprom. Both sides have stated that they plan legal action to regain the majority stake. Gazprom maintains that Stimul is crucial for its operations, as it is a major supplier to Orenburggazprom and Salavatnefteorgsintez.

Bashkortostan

Kaustik
The territorial management of Federal antimonopoly service of Russia (FAS) in Baskortostan has fined Kaustik 500,000 roubles, as with the other producers, for monopolistic price arrangements for caustic soda. The MAP has recognised that the United Trading Company (ETK) and a number of liquid caustic soda producers have broken the law on a competition. Complaints were received by the antimonopoly department from the largest consumers in the chemical, pulp-and-paper, aluminium, motor and power industries.

Consumers complained of ETK's pricing policy, which included the producers Kaustik, NAK Azot, SIBUR-Neftekhim. PVC was also affected by these "monopolistic prices". The Antimonopoly department has obliged manufacturers and specialised marketing organisations to conclude direct contracts for the delivery of caustic soda to consumers. However, Kaustik failed to observe these requirements was fined subsequently.

Integration
Efforts to integrate Salavatnefteorgsintez with Kaustik and Kauchuk at Sterlitamak are being thwarted it would seem by other vested interests. There is a natural synergy between the three plants but Salavatnefteorgsintez's (SNOS) attempts to take control of Kauchuk at Sterlitamak has been rejected by the federal commission. A share issue made by Kauchuk, which would have allowed SNOS to take a strategic share, has been overturned. SNOS has stated that it will not change its business relations with Kauchuk, which depends completely on deliveries of gas from SNOS. To replace the pipeline supplies of gas with liquefied gas via the single-line railway to the plant would be very difficult. Kauchuk produces mainly isoprene, butadiene-alpha-methylstyrene, etc.

ZAO Polypropylene (Ufa) PP Production (unit-kilo tons)

2003	*2002*	*2001*	*2000*	*1999*	*1998*
98.1	82.9	93.5	96.2	99.0	74.5

Regarding Kaustik, Cyprus-registered Modisanna Limited has been registered as now owning 77.9% of the shares in the company. Kaustik stated that the entry was made in the register of entities owning more than 25% of its shares on 17 February 2004. In January, another Cyprus-registered company, Tansamara Co Limited, bought 37.52% of its shares as part of an asset restructuring. Prior to that transaction, Bashkortostan's property ministry owned 12.5% of the shares in Kaustik, the Sterlitamak administration owned 12.5%, and Salavatnefteorgsintez was a trustee of 25%. It is thus a very complicated ownership structure which does not seem to have any impact on the day to day management and operations of the company. Similarly to Kauchuk, Kaustik relies heavily on SNOS for its raw material supplies.

Polypropylene
ZAO Polypropylene at Ufa increased production in January 2004 by 2.9% to 8,850 tons. The company exports around 10% of production. In 2003, ZAO Polypropylene produced 98,120 tons, which was 18.3% up on 2002.

Samara

BOPP
Samara based Nova has approved the conclusion of the contract general order from Novatek regarding the commissioning a of biaxial focused polypropylene film plant (BOPP) at Novokuibyshevsk. The total cost of construction is 489 million roubles, including VAT of 81.5 million roubles. The Novatek plant is planned to start in 2005 and will produce various kinds of high-quality film, such as metallised film, high shrinkage tobacco film, adhesive tape, etc, to satisfy the growing demand for packaging material in Russia. The BOPP line will have a capacity of 25,500 tpa.

The Alpha-Bank has provided €22.5 million for financing the contract, with the general term of credit of 4.5 years. The German company Bruckner Maschinenbau GmbH provided the equipment. Russia requires at present in the range of 60,000 tpa of BOPP-films, all of which is currently imported. Apart from Novokuibyshevsk, a similar sized plant is under construction in the Moscow area. The main problem could be the availability of polypropylene from domestic sources, and possibly quality even when PP homopolymer is available. However, new polypropylene capacity is expected to be completed at Nizhnekamsk in the next two years which will be able to provide high quality product.

Kuibyshevazot
Kuibyshevazot has started up a six megawatt automated power unit that the company purchased from NPVP Turbocon, on a 30-year lease term. The cost of equipment is 30 million roubles, with an estimated payback period of three years. The new power unit will permit the company to cover around 5% of its total power requirements, with expected savings of around 7.2 million roubles per annum.

In March, Kuibyshevazot and Togliattikauchuk signed an agreement for the supplies of nitrogen. Togliattikauchuk and SIBUR management had considered a business plan to build its own nitrogen installation that would satisfy all in-house requirements. However, setting up the facility would have required around 130 million roubles of investments and it was decided to come to an agreement with Kuibyshevazot, which is a completely independent company.

According to Togliattikauchuk the agreement should enable the plant to make around 34 million roubles of savings in 2004, and in 2005 up to 50 million roubles. Kuibyshevazot at the same time will retain a long-term customer with growing requirements, and an acceptable profit margin. The business provided by Togliattikauchuk helps to compensate the loss of the AvtoVAZ account for Kuibyshevazot. It had become uneconomic for Kuibyshevazot to produce nitrogen as the gas production unit requires full utilisation.

In 2004, Kuibyshevazot plans to start the commercial production of a technical strings based on polyamide-6, and cord fabrics. The design capacity of the new unit will comprise about 12 million running metres of cord fabric per annum. Kuibyshevazot is aiming to take about 20% of the Russian market. The construction of polyamide-6 plant by Kuibyshevazot started in 2001, with the total amount of investments into the project consisting of about $70 million. Cord fabric in Russia is used in the tyre industries, largely for lorry tyre production.

Tula

The Tula region is on the threshold of an energy crisis in terms of negotiations with consumers. This could affect producers as from 1 April for Shchekinoazot and Khimvolokhno, their duty 61 and 14 million accordingly. And Tulenergo refuses to prolong with them the contract for power supply.

Orgsintez at Novomoskovsk incurred an accident on 29 March at its oxalic acid plant, resulting in the death of one employee. Production has since stopped at the oxalic plant. The last occasion the Novomoskovsk region saw a chemical accident was in September 2002 when the Azot plant released chlorine into the atmosphere.

Shchekinoazot in the Tula region plans to revamp its chemical production facilities, with the aim of eliminating the emissions of harmful substances into the atmosphere. The chemical plant is seen as the main factor endangering the Yasnaya Polyana (where Tolstoy lived) reserve museum. The project will be partially funded by UN.

Khimvolokhno at Shchekino increased turnover in January by 23.6% to 115.875 million roubles. Production of textile threads increased by 50.7% to 107 tons, technical threads by 5.6% to 1216 tons, cord yarns by 2.85 times to 441,000 cubic metres, polyamide increased from 380 tons to 807 tons. In 2003, Khimvolokhno produced 969 tons of textile threads, down 23% from 2002, technical threads increased by 1% to 16,080 tons, cord yarns fell 30% to 13.71 million cubic metres, and polyamide production increased 57.5% to 6,602 tons.

Irkutsk

East Siberian Gas Project

The Irkutsk Administration and TNK-BP have signed an agreement on finalising the establishment of the East Siberian Gas Company. TNK-BP and the Irkutsk regional administration said in a joint press release that the new company will expedite projects to supply gas in the region from the Kovytka gas condensate field. The regional gas project will be the first stage in setting up a raw material base for the gasification of chemical, energy and utility companies.

The project differs from earlier proposals in that gas from the Kovytka field will be supplied to the Sayansk industrial zone, where a gas processing plant will be built to extract valuable fractions used in the petrochemical industry. Methane fractions will be sent from to Angarsk, where ammonia production will be set up, whilst nitrogen fertiliser and butyl alcohol production will be expanded. Gas use as a fuel will be increased at Angarsk Petrochemical Company and the Angarsk Polymer Plant, with products subsequently being supplied to Irkutsk.

The aim of the project is to ensure gas supplies in 2006 of around 300 million cubic metres, increasing to 2.2 billion cubic metres by 2009. In line with the plan for the implementation of the project, an investment programme will be prepared in June 2004 and a feasibility study for the project is expected to be completed in the first quarter 2005.

Sayanskkhimplast

On 29 March, the construction of the first gas drilling rig started near the Borovoe village in the Ziminsky district, Irkutsk region. Sayanskkhimplast has acquired the ownership of the gas condensate deposit and gas from Borovoe deposit is expected to arrive at Sayanskhimplast's chemical facilities by the middle of 2005. It will provide a partial solution to the company's feedstock supply requirements in terms of ethylene.

Sayanskkhimplast will receive around 120,000 tons of ethylene in 2004 from ANHK after agreements were reached with YUKOS. Losses incurred by Sayanskkhimplast as a result of the conflict with YUKOS could take 6-7 months to recover. Sayanskkhimplast is completely dependent from deliveries of raw material from Angarsk at the moment. However, for YUKOS to stop ethylene deliveries long term would be equally damaging for the Angarsk complex so the bargaining position was never one-sided.

Sayanskkhimplast increased PVC production at the start of the year with the January volume rising by 22% (against

January 2003) to 22,577 tons. Production of PVC plasticizers amounted to 1,162 tons. Sayanskkhimplast produced a total of 215,857 tons of PVC in 2003, which was 1.7% higher than in 2002.

Sayanskkhimplast will continue to export PVC to China, but in much lower volumes than in recent years. Only around 30% of production will be exported in 2004, with the company focusing more on the Russian market. One of the domestic buyers include the Vladimir chemical plant, but also new PVC processing units are being introduced. The possible liquidation of ETK will not affect Sayanskkhimplast, according to the company, in any way regarding marketing policy.

Sayanskkhimplast plans to soon introduce a new unit for the production of PVC cables, etc, with equipment provided by the Italian company Acca Group. The equipment is expected to be delivered by the end of April, and by June 2004 the first production is planned.

Evrokhim

Evrokhim plans to allocate $27 million this year to develop its Novomoskovsk Azot subsidiary with support from the Tula Region's authorities, where Azot is located. Azot achieved a turnover of 6.08 billion roubles for 2003, an increase of 10.1% in concurrent prices.

Azot Novomoskovsk Production (unit-tons)

Product	*2003*	*2002*
Methanol	245,600	185,779
Liquid Chlorine	39,800	27,639
VCM	31,000	29,637
Acetylene	14,900	14,043
Tetrachloroethane	7,300	6,104
TDI	3,000	1,913
Ammonia	1,310,000	1,182,310
Urea	643,700	630,460
Sulphuric Acid	751,000	615,070

Evrokhim combines Nevinnomyssk Azot (Stavropol Region), Novomoskovsk Azot (Tula Region), Kordovsk GOK (Murmansk Region), Mineral Fertilisers (Krasnodar Region), Belorechensk Plant of Mineral Fertilisers (Krasnodar Region), Fosforit Industrial Group (Leningrad Region) and Lifosa AB (Lithuania).

Evrokhim plans to double investment in 2004 to $13.8 million in the Nevinnomyssk Azot complex. Around $4.7 million will be invested in projects started in 2003, including the new unit for nitrogen-phosphate fertilisers and a system of improving ecological safety for acetylene production.

In 2004, important projects include the new urea unit with the total cost of the project at $1.3 million. This new unit will allow the company to produce up to 90 tons of urea per day, thus increasing capacity by 30,000 tpa. A number of other planned projects valued at a total of around $8.8 million are under consideration. Included in the projects are several new products such as polyvinyl alcohol dispersions, formaldehyde, urea-formaldehyde concentrate, and the reconstruction of several industrial units with a view to increasing productivity and reducing the cost price of ammonia.

Amtel

Amtel, run by Singaporean businessman Sudhir Gupta, plans a foreign listing of up to 40% of its shares next year. Amtel's capitalisation will increase to $500 million following an IPO in October 2005. The company plans to keep about 55% of shares under management control. The funds raised from the IPO will be invested in car tyre production, with $150 million intended to be spent prior to 2010. Around $100 million has been invested to-date. $40 million from the remaining $50 million will go to construct a new plant. ING and Alpha-bank will act as the underwriter for the IPO.

In 2003, Amtel achieved $390 million in turnover. Sudhir Gupta set up Amtel in the 1990s and now controls a network of tyre factories in Russia and Ukraine. He owns 94% of Amtel's shares, whilst Amtel controls an estimated 28% of the Russian tyre market. The structure of group includes three tyre plants at Kirov, Voronezh and Krasnoyarsk, and one in Ukraine at Belaya Tserkov. Other producers in the Amtel group include the Volgograd factory of technical carbon (VZTU), the Man-made fibre plant Amtel-Kuzbass (Kemerovo) and the Krasnoyarsk Plant of Technical Resins.

A 50/50 Amtel jv with Finnish tyre manufacturer Nokian Renkaat has now been terminated after talks to extend the partnership failed, with Amtel saying that Nokian was not meeting its duties in the venture. Nokian and Amtel aimed to make 2 million tyres this year and five million annually by 2006. Nokian Renkaat will now work independently in Russia.

Product News

Resins

Dynea and Metafrax have formed a jv for the production of synthetic resins to the value of €20 million. Negotiations between the two companies started in September 2003. The project consists of the creation of two platforms for the production of urea-formaldehyde, phenolic, and melamine resins. One of the platforms has already been created at Gubakha. The name of the new jv is Metadynea, consisting of three representatives from Metafrax and three representatives from Dynea. The chartered capital of Metadynea amounts to 130 million roubles. Metafrax has supplied the base equipment for the units and Dynea has transferred the technologies, which are not available in Russia.

The main base for Metadynea will be the complex for urea-formaldehyde concentrate (KFK), which was constructed in 2003 by Perstorp Formox. Under the agreement signed on 11 March 2004, Metafrax will deliver to Metadynea raw materials produced by the complex, which has a capacity of 60,000 tpa.

Between January and April 2005 Metafrax plans to start two more installations for the production of KFK. Metadynea's production will be 100% focused on the Russian market. Domestic demand is growing in the range of 10%. Metadynea expects to produce around 180,000 tons in the first year of operation. In total, Metafrax achieved 4.23 billion roubles of turnover in 2003, 13% up on 2002.

Other developments in the resin sector include Pfleiderer which has confirmed laying the basis in the Novgorod region for the construction of a urea-formaldehyde resin plant by the end of 2005. There are now four large players in the Russian urea-formaldehyde resin market, including Akron, Metafrax, Uralkhimplast and Tomskneftekhim. The total of Russian capacity is 40,000 tons per month. The competitive advantage over other producers for Metafrax lies in having its own raw-material base.

The largest producer of urea-formaldehyde resins Tomskneftekhim sees the emergence of Metadynea as a serious threat to the other Russian manufacturers.

Caustic soda

The arbitration court of Moscow has postponed the preliminary judicial session of the United Trading Company (ETK) against the Ministry of the Russian Federation MAP until 13 April. The MAP has objected to the delay as consumers continue to face limited competition. Since 1 January 2004 the price of caustic soda in Russia has almost doubled. In December 2003, the MAP started to receive a number of complaints about ETK. Some of the consumers that lodged complaints include Kazan Plant of Synthetic Rubber (Tatarstan), the Association of Pulp and Paper industry, Arkhangelsk TSBK, and the timber industry company Kontinental Management.

As reported last month this situation has led to unreasonable prices being charged in the marketplace, and has not given consumers any choice. Losses are being incurred by consumers and producers of caustic soda, with ETK about the only winner.

Taking Novomoskovsk Azot (NAK) as an example it sells all of its caustic soda production currently to ETK. This year ETK has offered Azot offered 6,000 roubles per ton for caustic soda production from the plant. Novomoskovsk Azot estimates that it has lost around 120 million roubles through sales of caustic production through ETK, so both sides have been losing. Some buyers have even started to look at imports to overcome the problem of high domestic prices. Prices from abroad are in the range of $100 (about 3,000 roubles) per ton.

ETK has defended its position stating that high caustic prices were the result of gas and electricity costs. Moreover, previously ETK argues that producers had traded caustic soda at prices below cost whilst at the same time the producers were in favour of contracts with ETK.

ETK (99.9% of shares which are owned by Sovlink in Moscow) was created in the middle of 2003. Currently, ETK controls around 80% of the caustic soda market with sales from Kaustik, NAK Azot, SIBUR-Neftekhim, Khimprom, Kirovo-Chepetsk Chemical Plant, and Sayanskkhimplast.

Polyethylene

Surgutneftegaz is in talks with Mitsubishi Corp, Mitsui, and Itochu Corp regarding the construction of a polyethylene plant, oriented towards exports. The plant would be constructed at Surgut based on local raw materials and Surgutneftegaz has proposed that the three Japanese companies take 50% in a jv.

Zapsibgazprom processed 1300 tons of polyethylene in the first two months of 2004 as part of the company's gasification programme. The company is heavily focused on the construction of a gas main in the Leningrad region and also the gas main Turtas-Uvat. Other regions where Zapsibgazprom is involved in the construction of gas mains include Saratov, Voronezh, Tambov, Tver, Ulyanovsk, Penza, Volgograd and Moscow.

Irkutskkabel is supplying polyethylene cables to the Sakhalin-2 project to the value of $100,000-150,000 per month. Participation in the Sakhalin-2 oil and gas project was facilitated by Irkutskkabel's start-up of a new cable line (using polyethylene) based on equipment supplied by the Swiss company Maillefer. Another large consumer of a power cable produced by Irkutskkabel is Mosenergo.

Irkutskkabel plans to start a second polyethylene cable line In 2-3 years, which is expected to come from Maillefer. Production capacity of the line will be 4,000 cubic metres of cables per annum. With the introduction of new kinds of cable, Irkutskkabel believes that there is good export potential. Around 5% of production by Irkutskkabel is delivered abroad. The basic consumers - the enterprises of Mongolia and near abroad. However the export direction is not priority for Irkutskkabel.

The Orel region is expected to see the construction of a modern plant for the manufacture of 23,000 tpa of polymer pipes, which will help to meet the demand of the Central Chernozem region in European Russia. In view of the intense gasification programme planned for Russia in the next few years the Orel region near Moscow sees itself as a prime location for the development of polymer materials for the gas and power industries in Russia. There is a deficit in the supply of pipes and polymers for the gasification programme which means that new processing capacities are required.

Almetyevsk Pipe Works in Tatarstan produced 5,900 tons of pipes in February 2004, 29% up on February 2003, according to United Metal Company of which the works is a member. Production of outer polyethylene coated pipes grew six fold to 6,300 tons. .

Belarus

Privatisation
Russia seems the most likely leader of any foreign investment into the Belarussian petrochemical industry, according to the Belarussian government. This is hardly a surprising observation. Of the major projects which are seen as priorities by the Belarussian government the Mozyr refinery is estimated to require around $200 million, whilst the potassium fertiliser producer Belaruskali requires in the range of $50 million.

The gas crisis for Belarus seems to be over for the time being. Agreements have been reached with SIBUR which is expected to supply a total of one billion cubic metres of gas to Belarus in 2004. Gas will be sold at $46.68 per 1,000 cubic metres. Itera has approached Beltransgaz with a proposal to supply Belarus with 520 million cubic metres of gas, also at a price of $46 per 1,000 cubic metres. More than 10% of gas supplies to Belarus is consumed by Azot at Grodno. The plant was nearly brought to its knees on 19 February by the stoppages of gas supplies which not only affected Belarus but also Poland.

Transcaucasus

Sumgait Ethylene-Polyethylene plant
The Sumgait Ethylene-Polyethylene plant last year accounted for 42% of Sumgait's GDP. The high-performance of the cogeneration plant, which was built in 2001, has made operations at Sumgait more productive. The Japanese companies Nichimen Corporation and Chiyoda constructed the plant, based on credit provided by Eximbank in Japan. The cogeneration plant generates electricity, also facilitating a reduction of expenses on fuel and water. Azerkkimya has repaid the $5.162 million to Eximbank in accordance with the schedule.

Central Asia

Kungrad soda plant
The construction of the Kungrad soda ash plant has now entered its finishing phase. Part of the credit for the project, $14.13 million, was granted by the Industrial-commercial bank of Chinese People's Republic under a guarantee of the government.

The Chinese company Sitik has been responsible for the construction of the plant. The plant will have a capacity of 100,000 tpa of soda ash, with over a thousand employees. The initial feasibility report of the project authorised by the government four years earlier, provided for a capacity of 400,000 tpa, 150,000 tpa of soda ash, 20,000 tpa of sodium bicarbonate and 20,000 tpa of cooking food salt Ekstra.

Turkmenistan petrochemical complex
Turkmenistan has reaffirmed plans to build a major petrochemical complex at Seidi in the east of the country worth around one billion dollars. Aside the refinery developments at Seidi a major polyethylene plant, intended to be the largest in Central Asia, will be built.

Israeli company Merhav is to take part in projects to modernise the Seidi and Turkmenbashi refineries. The Turkmenbashi complex is located in the west of the country and refines over 6 million tpa. One of the agreements is for Merhav to hold an international tender for a project to modernise and reconstruct the Seidi refinery in the east of the country.

The project will involve the installation of new technology, which will increase the refinery capacity from 2 million tpa up to 7-8 million tpa. The government also plans to set up polyethylene production at the refinery.

A second agreement gives Merhav the right to act as the ordering party for the construction of a new polypropylene unit at the Turkmenbashi refinery. A third agreement gives the Israeli company the same function in a project to build a polypropylene processing unit at Turkmenbashi. The memorandum-intention between government Turkmenistan and the Japanese company Itochu Corp will be taken into account, regarding the expansion polypropylene capacity at Turkmenbashi. An agreement was signed on 22 April 2003, which planned to raise capacity to 250,000 tpa. However, it is unclear if this agreement will be implemented.

Turkmenistan produced 8,810 tons of polypropylene in January, 2004, 25% up on last year. Turkmenistan raised gas production 11% to 59.09 billion cubic metres and oil production by 11% to 10.004 million tons in 2003.

Kazakhstan

(Kazakh Tenge Mar 27, $1 = 138.57, €1= 168.78)

Atyrau PE pipes
The Atyrau Plant for polyethylene pipes, owned by Chevron Munaygaz, has been granted the certificate ISO 9001 2000. The plant started production in April 2003 and produces polyethylene pipes conforming to international standards. Capacity of the plant is 7,000 tpa, and is based on PE80 and PE100 supplied by Solvay.

Soda Ash
A project for soda ash is being assessed in Kazakhstan at the detergent company Kazsoda, which is 49% owned by the Investment Fond of Kazakhstan and 51% owned by the Sari-Tas, which is the government packet. The project would be constructed in the Zhambul region and would have 200,000 tpa of capacity. The project concept is not entirely new, but dates to an agreement in March 2003 with the Turkish company BVT to invest $120 million into a phosphate derivatives plant. In terms of demand, a total of 37 companies in Kazakhstan use soda ash in varying quantities.

The main source of raw materials for the proposed soda ash plant is the salt lakes at Sokol Sarisuskovi, which is around 60 km from Karatau. Limestone will be supplied locally. At present there is no soda ash production in Kazakhstan, but without the support of the government it may prove difficult to find investors.

Soda ash demand in Kazakhstan is expected to increase constantly up to 2010, with new capacities for the production of sheet glass and glass containers, combined with the creation of new plants in the chemical and petrochemical industry.

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