

# CIREC

## MONTHLY NEWS

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

Edited by **Andrew Sparshott** | Tel **+44 (0)20 8669 5126** | Email **enquiries@cirec.net** | Web **www.cirec.net**

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

Issue 148, 14<sup>th</sup> April 2003

### ***Features from the April 2003 issue***

- Milford Holdings reached an agreement in March to sell its 29% stake in BorsodChem to a subsidiary of Vienna Capital Partners (VCP). With the purchase Vienna Capital Partners, owned by Collegia Privatstiftung, raised its ownership and voting rights in BorsodChem from 59.23% to 88.23%. This was followed by reports in April that CE Oil & Gas AG had acquired another 4.06% stake in BorsodChem from holding company Forras Rt.
- The anti-monopoly commission of Slovakia has approved the consolidation of share ownership by MOL over Slovnaft, in accordance with the announcement made on 25 November 2002. MOL has acquired 6,520,691 Slovnaft shares for \$85 million in cash, 984,000 "A" series ordinary shares (representing 1% of MOL's registered capital before the capital increase) and 9,817,578 newly issued "C" series ordinary shares each having a nominal value of Ft 1,001.
- The Romanian privatisation agency APAPS launched an effort to sell 51% of the share capital of Carom at Oneşti. However, at the deadline for bid submission, 19 March, only one bid was received, from a company called SC Tender at Timiºoara. Thus, there are doubts whether the sale will go ahead.
- A noticeable feature of Russian chemical production in 2002 was the increase in domestic consumption, particularly for plastics and resins. Other products saw some stagnation on the back of certain industries which saw a downturn in 2002, such as paints and varnishes for example. Polymer growth though seems to be very positive though ranging from 16.1% growth in 2002 over 2001 for PVC to 7.1% for polypropylene.
- Sayanskkhimplast has announced plans to increase PVC production capacity up to 400,000 tpa (at present 250,000 tpa) by 2007. The company plans to use natural gas from the gas fields of Irkutsk oblast not only as a raw material, but also as a fuel, which will permit to cut the prime cost of production significantly. Sayanskkhimplast plans to focus on using hydrocarbons through the extraction of gas from deposits in the Ust'-Udinsk area.
- A new 300,000 tpa methanol plant was launched on 7 April at Azot Novomoskovsk in the Tula region. The construction of the new methanol plant started at Azot many years ago and has been constructed on a stop-start basis due to a lack of funds. The situation changed in June 2002 after the acquisition of Azot by MHK Eurokhim, with the project almost immediately being given an injection of finance in July last year. To complete the construction of the plant cost Eurokhim 348.2 million roubles.
- The Italian company Frati is planning to launch a melamine production unit at Grodno which would be consumed by Lida-based Lakokraska and Grodno-based wood-processing enterprises. At present, melamine is not produced in the CIS.
- In early April a plant was opened at Atyrau for the production of polyethylene pipes by Chevron Texaco, which cost around \$20 million. The plant represents an important step in the diversification away from oil and gas production for the Western companies.

**CENTRAL EUROPE**

---

**Czech Republic**

---

**(Czech crown, Kc, Apr 3, \$1 = 29.37, €1 = 31.57)**

Revenues in the Czech chemical industry fell by 5.1% in 2002, while total chemical production volumes rose by 7%. The lower revenues result from a drop in prices in the oil processing and coking sectors. Exports of Czech chemical commodities fell last year by 2.7% over 2001 and imports fell by 4.3%. Czech chemical companies exported products worth Kc 142 billion, whilst imports amounted to Kc 236 billion.

**Unipetrol**

Lawyers White & Case will provide the government with legal assistance in the privatisation of Unipetrol, after the Czech National Property Fund (FNM) picked the company as the winner of a public tender. The FNM said White & Case had offered the best price and met all the other conditions.

The FNM also announced in March that a new tender would take place for the financial advisor for the sale of Unipetrol. Bidders have up to 18 April to submit an offer. The first tender for an advisor was cancelled as the bidders allegedly did not meet the complete criteria of the government's plans for Unipetrol.

Pardubice-based refinery Paramo and Kolin-based refinery Koramo will merge as from January 2004 in line with the plan of both companies, with joint-stock company Paramo, member of Unipetrol group, to be the successor organisation.

The Czech Constitutional Court set a ruling in March which raised new doubts about the government's ability to maximise its revenues from the privatisation of Unipetrol. The court ruling should benefit Unipetrol's minority shareholders at the expense of the government's treasury. In essence, it will mean that the government would have to share any premium with minority shareholders.

Significantly for bidders for Unipetrol the Constitutional Court has decided that acquiring a majority stake in state-owned companies must also make a public purchase offer for the remaining shares. The court said allowing buyers of state-owned property an exemption from the takeovers and mergers act is unconstitutional. Current estimates put the value of the Unipetrol stake on offer at around \$350 million. OMV, PKN Orlen and MOL are interested in the stake whilst other bidders could include outsiders such as Rotch. OMV has said though that if it is successful in the INA privatisation it may lose interest in Unipetrol.

**Iraq**

The Czech government is trying to examine possible business opportunities in the post-war renovation of Iraq. Czech companies could succeed in supplies for the petrochemical industry as a large part of the Iraqi petrochemical sector had been built by Czech companies. As for military actions in Iraq Czech producers, such as Synthesia at Pardubice, have stepped up security measures.

**BC-MCHZ**

BorsodChem MCHZ (BC-MCHZ) saw its net profit fall 33% to Kc 51.9 million in 2002 due largely to the position on benzene costs. BC-MCHZ's results this year will be affected by an accident on one of its two nitrobenzene production lines at the end of last year. This resulted in damage amounting to Kc 177 million and the line will not be restored until the autumn at earliest. BC-MCHZ exports around 85% of its production of aniline, with the bulk going to Central and East Europe and South East Asia.

---

**Slovakia**

---

**MOL-Slovnaft**

The anti-monopoly commission of Slovakia has approved the consolidation of share ownership by MOL over Slovnaft, in accordance with the announcement made on 25 November 2002. MOL has acquired 6,520,691 Slovnaft shares for \$85 million in cash, 984,000 "A" series ordinary shares (representing 1% of MOL's registered capital before the capital increase) and 9,817,578 newly issued "C" series ordinary shares each having a nominal value of Ft 1,001.

As a result of the transaction, MOL's shareholding has risen to 70.02%. The increase in shares in Slovnaft will help to strengthen MOL's position in Central Europe. It also obliges MOL to make a public offer to purchase the outstanding shares in Slovnaft.

However, MOL's first bid in April to buy the shares that it does not already own was rejected by Slovakia's financial market regulator. This was under the pretext that the price offered by MOL was too low.

---

### Hungary

---

(Hungarian forint, Ft, Apr 3, \$1 = 227.59 €1 = 244.68)

Austrian plastics manufacturer Gabriel-Chemie has stated that it plans to establish a plant at Tiszaujvaros, eastern Hungary, having purchased equipment from chemical company TVK Rt.

Sinergy Kft has started the construction of a Ft 2 billion desalination plant to produce pure water for TVK. The unit will use water from the Tisza river and recycled water from TVK.

#### BorsodChem

Milford Holdings reached an agreement in March to sell its 29% stake in BorsodChem to a subsidiary of Vienna Capital Partners (VCP). With the purchase Vienna Capital Partners, owned by Collegia Privatstiftung, raised its ownership and voting rights in BorsodChem from 59.23% to 88.23%. This was followed by reports in April that CE Oil & Gas AG had acquired another 4.06% stake in BorsodChem from holding company Forras Rt. If the new stake is confirmed, VCP will then hold over 92% of BorsodChem.

Milford Holdings sold its stake to 100% VCP subsidiary Aurora Holding AG for an undisclosed price on 15 March. VCP owns a further 63.29% of BorsodChem's shares through its wholly-owned subsidiary CE Oil and Gas Beteiligung und Verwaltung GmbH (CEOG).

The common view is that Gazprom is behind these share manoeuvres. At the same time LUKoil has expressed in recent communications that it would like to court the idea of a strategic relationship between TVK, BorsodChem and LUKOR. The notion that the three complexes could be interlinked has been a much discussed idea in the past few years where there would be possibilities to use the synergies of monomer and polymer production. Since SIBUR's problems affected its position on the board at BorsodChem the idea of integration has waned but is far from finished.

#### MOL

At the end of last year MOL has awarded Uhde Edelenau a contract for the construction of a gas oil desulphurisation unit at Szazhalombatta. As a result of this investment the gas oil produced and marketed by MOL will be practically sulphur-free from the 1 January 2005, meeting the tightening quality specifications of the European Union. The new facility will be completed by the second half of 2004, and production is scheduled to start in the fourth quarter.

#### Pannonplast

Pannonplast has signed a three-year agreement with Philips to supply plastic components for television and video equipment. Moldin 2000 Kft, a member of the Pannonplast group located at Székesfehérvár has become a Philips supplier of injection moulded, painted, and assembled component modules. Test production has begun and is expected to increase to full capacity by Q3 of 2003.

---

### Poland

---

(Polish zloty, zł, Apr 3, \$1 = 3.9420 €1 = 4.2380)

#### Zachem

A feasibility study has started to examine a potential project for modernising and expanding the existing epichlorohydrin and allyl chloride chemical plant at Zachem at Bydgoszcz. This is being financed under a \$270,000 grant from the US Trade and Development Agency (TDA). The study should be completed at some stage later in the year.

The modernisation of the plant's capacities of 30,000 tpa of epichlorohydrin and allyl chloride will improve Zchem's productivity and environmental record, considered essential pending Poland's accession to the EU. At the same time, increasing the plant's epichlorohydrin and allyl chloride capacity by 5,000 tpa is considered necessary for the production of higher quality derivatives, used as adhesives in making paper and for other industrial processes. Zakłady Chemiczne Zchem will contribute \$60,000 toward the cost of the feasibility study.

#### **Gas supplies**

Private Polish gas importer Bartimpex is planning to offer cheap gas to chemical plants now serviced by Polish Oil and Gas (PGNiG). Bartimpex does not have access to the domestic gas pipeline, but will negotiate this issue with market monopolist PGNiG. Chemical plants would be ready to have access to cheaper gas, but so far offers from foreign companies have been blocked by PGNiG.

---

## **SOUTH EAST EUROPE**

---

---

### **Romania**

---

(Romanian lei Apr 3, \$1 = 34,012.00 €1 = 36,566.30)

#### **Petrom**

Romania's government has confirmed plans to sell 51% in Petrom to a strategic investor capable of presenting a solid investment. Petrom employees would also be allowed to buy a total 10% stake in the company.

The government is to approve the sell off strategy by the end of May, followed by the launching of an international tender by end of June. There are reports that a 5% stake could be acquired by the EBRD.

#### **Privatisation**

On 20 February, the Romanian privatisation agency APAPS launched an effort to sell 51% of the share capital of Carom at Onești. However, at the deadline for bid submission, 19 March, only one bid was received, from a company called SC Tender at Timișoara. Thus, there are doubts whether the sale will go ahead. On 15 March, Carom approved redundancies of 300 employees due to the size of the company's debts. Carom is the only producer of synthetic rubber in Romania and also produces phenol, acetylene, and polystyrene.

<b>Romanian Chemical Exports (unit kilo tons)</b>		
<b>Product</b>	<b>Jan-Nov 2002</b>	<b>Jan-Nov 2001</b>
Caustic soda	258.159	272.895
Soda ash	280.206	286.803
Acrylonitrile	83.019	72.316
Melamine	19.045	12.343
Methanol	218.082	153.255
Urea	41.084	38.006
Surfactants	51.812	21.139
Polyethylene	26.457	20.670
PVC	118.296	109.737
Synthetic rubber	5.919	1.646

Product	Jan-Nov 2002	Jan-Nov 2001
Caustic soda	258.159	272.895
Soda ash	280.206	286.803
Acrylonitrile	83.019	72.316
Melamine	19.045	12.343
Methanol	218.082	153.255
Urea	41.084	38.006
Surfactants	51.812	21.139
Polyethylene	26.457	20.670
PVC	118.296	109.737
Synthetic rubber	5.919	1.646

The APAPS is also examining the possibility of establishing a single national petrochemical company that would comprise Arpechim, Oltchim and Petromidia. By creating such a holding it is hoped that it will be easier to attract investors. In fact, the fear in some circles is that quite the opposite effect is more likely to occur, as foreign investors seem particularly deterred when faced with broad based companies based on experiences in Central Europe. The outcome of the study being undertaken by the APAPS should be known in the next month or so.

Romanian export activity was generally up in 2002 over 2001. PVC exports this year will be affected by the

stoppage of the Oltchim plant due to a recent fire. It is not clear how long the plant will be down.

#### **Henkel-Romania**

Henkel Romania said that its 2002 net sales went up by 15.5% to €43 million. The largest share in last year's sales was from adhesives for the construction sector, due to house building boom in Romania. Henkel Romania plans to consolidate the adhesives segment this year by launching several new products. Henkel Romania is the market leader in Romania for the deodorant and toilet soap market, and also for the dishwashing liquids market. For the powder detergents market Henkel Romania assumes third position.

---

### **Bulgaria**

---

(Bulgarian lev Apr 3, \$1 = 1.810, €1 = 1.9458)

LUKoil-Neftochim reported a profit of 4.132 million leva for 2002. Net profit for 2002 was up by 8.5%, year-on-

year, but is way below the profit of 14 million leva reported for the first nine months of last year.

The Bourgas-based oil refinery has stopped manufacturing its own products and has switched its operations entirely to processing contracts within the framework of the LUKoil group by importing crude and distributing the outputs. This practice was introduced in 1999 by a processing contract signed with LUKoil.

According to the privatisation contract, LUKoil must raise the capital of the Bourgas oil refinery by contributing (in kind) the assets at its Siberian oil field, estimated at around \$140 million.

Solvay and the EBRD have agreed terms for the maintaining the equity position of the Solvay-Sodi soda ash plant at Devnya. The EBRD controls 20% of shares in Sodi and the Bank wishes to continue that ownership for another 5 years.

<b>Serbian Chemical Production (unit-tons)</b>		
<b>Product</b>	<b>Jan-Oct 2002</b>	<b>Jan-Oct 2001</b>
Sulphuric acid	63,611	58,009
Nitric acid	98,314	78,331
Caustic soda	5,282	5,985
Phosphate fert	17,991	74,248
Nitrogen fert	325,279	261,422
Polyethylene	95,754	88,855
Detergents	35,267	43,969
Coating agents	14,555	15,072

---

**Serbia**

---

The import of crude oil is to be fully liberalised from May 1 under a decision made by the Serbian cabinet. Companies registered for oil imports will be free to import oil and process it in local refineries under equal terms. Importers will pay a standard price for processing and the revenue will be earmarked for modernisation of plants. It is hoped that the oil refineries in Serbia will benefit from these moves.

---

**BALTIC STATES**

---

**Mazheikiu Nafta**

Mazheikiu Nafta plans to undertake a 43 day shutdown, of which 35 days will be devoted to plant maintenance and modernisation, with the aim of raising standards prior to Lithuania's accession to the European Union. Questions of atmospheric emissions will be addressed whilst at the same time quality will also be improved. .

Mazheikiu Nafta processes around 140,000 barrels per day and is the only refinery in the Baltic States. The cost of the maintenance and modernisation programme is placed at \$61 million.

A Russian trading company is trying to negotiate a jv with YUKOS where they would act as supplier to Mazheikiu Nafta of methanol. This probably involves Russian suppliers, but other sources will be considered depending on price.

**Achema**

The Ionava chemical company Achema, in Lithuania, has started to construct the first of its 4 units for the oxidation of nitrogen. The programme will affect all four units and should be finished in 2004. The urea plant also is being reconstructed. A considerable part of Achema's investments is devoted to power economy.

The natural gas power plant is under construction and measures to utilise the secondary power sources are also under a revamp. In order to reduce the costs of methanol production and to increase the product quality the technology of methanol production is a target area for the company.

---

**EURASIA, COMMONWEALTH OF INDEPENDENT STATES**

---

---

**Russia**

---

(Rus rouble Apr 3, \$1 = 31.27, €1= 33.62)

Although Russia is not part of the EU enlargement next year the accession of many strategic partners in East Europe is expected to benefit the Russian economy in the long run. After enlargement, the EU's share of Russia's total foreign trade turnover will grow from 40% to 50% which means that Russia needs to take

economic interests in the EU even more seriously. Negotiations on adjusting EU trade rules or exacting compensation would be much easier if Russia were a member of the World Trade Organisation but Russia is yet to join. .

<b>Russian Production (unit-kilo tons)</b>		
<b>Product</b>	<b>Q1-Q4 2002</b>	<b>Q1-Q4 2001</b>
Ammonia	10,507	10,500
Caustic soda	1,144	1,190
Soda ash	2,368	2,334
Methanol	2,267	2,129
Acetic acid	154	150
Ethylene	2,014	1,944
Propylene	1,000	974
Benzene	961	941
Orthoxylene	211	234
Paraxylene	173	186
Styrene	375	369
Phenol	164	163
Acetone	102	111
Phthalic anhydride	99	99
Butadiene	354	332
Isoprene	333	346
Synthetic rubber	919	919
Polyethylene	1,001	947
Polypropylene	261	258
Polystyrene	108	105
PVC	528	489
Caprolactam	264	268
Aniline	45	52
Plasticizers	124	123
Carbon black	529	493

The Russian Ministry of Industry, Science and Technology estimates that the volume of production in the Russian chemical industry will grow by 4% in 2003 over 2002. According to the Ministry, in order to maintain stable growth in the industry, it is necessary to reduce production costs and power consumption, and to resolve the problem of "dumping".

There are 700 large and medium-size industrial companies in the chemical industry and over 100 research centres, design offices and experimental plants. The chemical industry produces about 5% of Russia's industrial products and last year was responsible for earning 5.6% of the total sum of export revenues. The amount of investments from all sources of financing rose by 3% in 2002.

#### **Polymer consumption rises in 2002**

A noticeable feature of Russian chemical production in 2002 was the increase in domestic consumption, particularly for plastics and resins. Other products saw some stagnation on the back of certain industries which saw a downturn in 2002, such as paints and varnishes for example. Polymer growth though seems to be very positive though ranging from 16.1% growth in 2002 over 2001 for PVC to 7.1% for polypropylene. Needless to say that this trend is from a relatively low base. However,

considering the steady flow of plastics conversion equipment being imported into Russia further consumption increases are expected in 2003.

The common view both at home and abroad is that Russian growth in polymer consumption is still very much in its early stages with many more opportunities still to get off the ground. One can point to PET consumption which stood at less than 100,000 tpa in 1995 and today stands at 340,000 tpa, and rising. Polyolefin capacity today relies to a certain extent on export activity to maintain reasonable levels of production but producers are aware that in the event of an upsurge in domestic consumption, along the lines of PET, that additional capacity would be required.

Regarding production in 2002 ethylene broke through the 2 million tpa barrier which it had been threatening to do for the past couple of years. At the same time polyethylene broke through the 1 million tpa barrier, which was perhaps less expected as it was commonly believed that capacity was running close to maximum capability.

Most of the Russian ethylene equipment is based on Soviet or East European design, from the communist era, whilst by contrast the polyethylene equipment is based mostly on imported technology. As a result, monomer capacity runs on average at much lower utilisation levels than polymer capacity.

#### **Oil refining**

Russia refined 30.613 million tons of oil in the first two months of 2003, 3.5% more than in the in the same period of last year. Russia produced 4.706 million tons of automobile gasoline, up 1.53% on 2002 with the production of high-octane gasoline growing 8.16% to 2.352 million tons.

<b>Russian Chemical Consumption (apparent, unit kilo tons)</b>		
<b>Product</b>	<b>2002</b>	<b>2001</b>
Ammonia	8,031.7	7,771.7
Caustic soda	969.2	1,012.5
Soda Ash	1,931.0	1,924.8
Methanol	1,254.7	1321.7
Ethylene	2,014.1	1944.3
Benzene	9,41.9	982.27
Styrene	1,33.9	123.2
Phenol	121.8	135.4
Acetone	79.5	85.8
Polyethylene	759.2	698.8
Polypropylene	241.0	225.0
Polystyrene	227.8	197.3
PVC	282.5	243.2
Caprolactam	77.4	86.4

BP plans to invest large sums in the Saratov Refinery, Saratovneftegas and Saratovnefteproduct, all in the Saratov region. In the first place around \$30 million will be invested in the construction of visbreaker for improving the quality of oil processing at the Saratov Refinery.

Surgutneftgaz is facing the problem of over-production of oil and has decided to revive outstanding projects worth more than one billion dollars in the expansion of capacities for oil refining and export facilities. The company is planning to invest in the engineering design of the oil export terminal at Batareinya Bay in the St Petersburg region, and also plans to increase capacities at the Kirishi refinery 18 million tpa to 24 million tpa. The company aims to start building a pipeline from Kirishi to Batareinya Bay in 2003. The capacity of the terminal will be 7.5 million tpa, intended for completion in 2004.

These projects have been under review for some time, since the late 1990s, but have stalled for probably financial reasons. Also until recently Surgutneftgaz has not had any difficulties in selling oil on export markets. But with the increase in extraction the company has found it harder to dispatch this product internally or externally. In 2003, the company plans to extract about 53 million tons of oil but can only process 18 million tons itself through the Kirishi refinery. These problems have helped to warm up interest of Surgutneftgaz in the projects to increase the Kirishi capacity and the construction of the terminal.

## **SIBUR**

SIBUR plans to invest about \$80 million into the project of the modernisation of the cord production line at the SIBUR-Volzhsky plant in the Volgograd region. Four tyre plants are owned by SIBUR of SIBUR-Volzhsky satisfies about 50% of the demand of these plants for the cord fabric. This is not considered sufficient for the Russian market and thus the company needs investment. The modernisation of the cord production line at SIBUR-Volzhsky will facilitate an increase of output by 15-20% in a 1.5-2 year period.

### **Azot Kemerovo**

Azot at Kemerovo started 2003 positively, achieving 92.8% utilisation in January and 94.5% in February. In February, the company pressed ahead with its review of the 2003 investment programme, with the support of SIBUR and costing 150 million roubles. Among the most important projects is the replacement of the reforming unit at the ammonia-1 unit.

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

<b>Product</b>	<b>Feb-03</b>	<b>Feb-02</b>
Ethylene	13,700	448,087
Ethylene oxide	3,040	1,816
MEG	12,163	5,978
DEG	1,346	634
TEG	79	2
Propylene	7,177	4,105
Benzene	4,909	1,905
C5	2,078	931
C9	947	246
Chloroethane	274	83
EDC	4,562	2,442
PVC	2,182	903
Trichloroethane	530	903
Caustic soda	6,246	8,657
Epichlorohydrin	790	595

### **SIBUR-Neftekhim**

SIBUR-Neftekhim's production volumes increased notably in February 2003 against the same month last year when the company encountered energy supply disruptions. The financial situation, which caused the local energy company to limit supplies, has been cleared up. However, there are still shortages of capital for project investment. A shutdown of the ethylene oxide and glycol plants took place in March.

### **Voronezsintezkauk**

Voronezsintezkauk produced 52,679 tons of rubber and latex in the first quarter of 2003 which was 37% up on last year. Of the total production around 50% was exported. From the start of 2003 the company started production of two new types of rubber for the programme "green tyres".

### **SIBUR-Khimprom**

SIBUR-Khimprom at Perm is running at 100% capacity, the first time for many years. In 2002, the company produced more than 100,000 tons of butanols whilst styrene production increased by around 10% over 2001, increasing from 42,300 tons to 47,800 tons. Plans are being assessed at present for an increase in styrene capacity to 100,000 tpa which would involve the construction of two new reactors in addition to the existing production line. The company also hopes to switch butanol production from cobalt to rhodium catalysts which should increase effectiveness by around 20%.

SIBUR-Khimprom recently awarded a contract to Uralkhim mash worth 10 million roubles to supply 3 heat exchangers intended for the styrene plant. The equipment is made of titanium, stainless steel and carbon steel.

## **Tatarstan**

A meeting of science and technology council was conducted at Tatneftekhiminvest-Holding on 2 April as a part of the drive to compose a list of future projects for the investment fund which was established earlier this year. Some of the proposals include methods to increase ethane production at the Minnibaevsky gas processing plant, process-related measures to update gas separation, pyrolysis, and gasoline facilities.

According to the President of Estonia, Estonia is ready to offer Tatarstan its participation in the joint oil refining operations. Tatarstan has been traditionally exporting oil and petroleum products, synthetic rubber, ethylene polymers, tires, grain to Estonia. Estonia exports rubber vulcanisation accelerators, acids, phenols, prefabricated engineering structures and textiles. According to 2001 results the foreign trade turnover between Tatarstan and Estonia amounted to \$10.99 million which is nearly twice lower than in 2000.

### **Nizhnekamskneftekhim**

Nizhnekamskneftekhim aimed to produce 15,500 tons of isoprene in March which represents a company record. The increase has been facilitated by technical improvements at the plant.

At the ethylene oxide plant Nizhnekamskneftekhim has replaced the outdated Russian pneumatic control system with a system provided by Swiss company Emerson. This system should become available by the end of May which will permit more close control over the production process and will help to reduce shutdowns.

### **Sevilen**

The Tatarstan government, together with Nizhnekamskneftekhim, is involved in setting up a new company called NefteKhimSevinlen. The republican property management ministry has already transferred 76.79% of Sevilen at Kazan, the smallest of the Russian polyethylene producers, as an investment into NefteKhimSevinlen's chartered capital. The reasons behind this new company are due to Sevilen's dependence on ethylene supplies from Nizhnekamskneftekhim. Sevilen was established as an offshoot of Kazanorgsintez in the early 1990s. The company produces LDPE, polyethylene films, etc, and produced 21,000 tons of LDPE in 2002.

## **Bashkortostan**

### **Salavatnefteorgsintez**

Gazprom has agreed to give up its trust management of Salavatnefteorgsintez (SNOS) to the government of Bashkortostan for a period of five years. Gazprom took on the trust management of SNOS several years ago in exchange for debts owed by Bashkortostan. The process has not been smooth, however, and SNOS has been generally unhappy with the position. Thus, in recent months there have been efforts to try and reclaim control over the complex with a view towards improving the flow of raw supplies to Salavat.

Since the start of 2003 SNOS has spent 800 million roubles on the final construction stages of the ethylbenzene-styrene production facilities. Start-up is planned for later this year. This plant will result in satisfying both the Russian market demand and the in-house requirement for styrene for polystyrene.

### **Ufakhimprom**

The state standards committee has accredited a research centre based at Ufakhimprom. The company will conduct various trials including certification of the products not only from the in-house sources but also from other industry producers. Ufakhimprom produces bisphenol A, propane, chlorobenzene, soda ash, liquid chlorine, epoxy resins, chloroamine B, herbicides and herbicide production feedstock. The export share is 20% of total sales.

## **LUKoil**

LUKoil-Neftekhim has outlined its strategy for 2003, with a 5% production increase planned for and 808 million roubles scheduled for investment into production facilities. Moreover, the main board of LUKoil has approved an organisational structure and a strategic development plan for LUKoil-Neftekhim up to 2010.



The plan comprises a number of large-scale target programmes, including production efficiency enhancement, olefin expansions (which involves the acquisition of new Russian and foreign assets for the production of olefins and their derivatives); and programme of gas development as a part of the chemical industry.

### **Eurokhim**

The investment committee of the MDM group has stated that the programme for the Eurokhim holding company this year involves a total of 76 projects, of varying scales, at the six companies that are part of the group. The total cost of these projects is placed at \$103 million.

A major part of the projects involve the replacement of old equipment and the introduction of energy saving technologies and automatic control systems. One of the most topical projects is the new methanol unit at Novomoskovsk at a cost of \$7.5 million. Fosforit in the Leningrad region plans to reconstruct a sulphuric acid plant at a cost of \$4.2 million for this year alone.

The projects included in the programme will be financed mostly through Eurokhim's own resources. Eurokhim is also trying to restructure the companies belonging to the group which apart from the above companies includes Nevinnomyssk Azot and Lifosa in Lithuania.

### **Leningrad region**

<b>Russian Production (unit-kilo tons)</b>		
<b>Product</b>	<b>Feb-03</b>	<b>Feb-02</b>
Polyethylene	77.3	76.9
Polypropylene	22.3	22.1
PVC	42.2	43.8
Polystyrene	9.1	8.1
Plasticizers	6	6.9
Ethylene	168	156.1
Benzene	85.6	87.6
Styrene	35.7	31.9
Methanol	225	107.1
Butanols	23.9	20.6
Phenol	12.1	10.4
Ammonia	883	889.2
Calcium carbide	13.9	14.4
Sulphuric acid	692	767.2
Soda ash	195	191.0
Caustic soda	83.7	93.3

Era-Henkel at Saint Petersburg plans in 2003 to increase household chemical good production by 13.2%. In 2002, the company's production totalled 2.65 billion roubles, or 23% more than in 2001.

Henkel's share of the detergent market in Russia is estimated at 25%. The company runs three plants, Henkel-Pemos at Perm, where Henkel owns 86% of the shareholding, Henkel-Yug at Saratov which is owned 100% by Henkel, and Era –Henkel located in the Leningrad region which is owned 95.54% by Henkel. The total amount of detergent production capacity of the company amounts to 160,000 tpa.

### **Irkutsk**

#### **Sayanskkhimplast**

Sayanskkhimplast has announced plans to increase PVC production capacity up to 400,000 tpa (at

present 250,000 tpa) by 2007. The company plans to use natural gas from the gas fields of Irkutsk oblast not only as a raw material, but also as a fuel, which will permit to cut the prime cost of production significantly. Sayanskkhimplast plans to focus on using hydrocarbons through the extraction of gas from deposits in the Ust'-Udinsk area.

At the plastics plant of Sayanskkhimplast a line for production of PVC small bottles is being assembled. The bottles will be used for filling of clearing detergent Belizna. Currently, high-pressure polyethylene is used as the raw material which is necessary to buy elsewhere. The application of line using own the company's PVC will help to reduce the cost. Industrial operation of line is scheduled for this month, April 2003.

This line is part of Sayanskkhimplast's strategy to develop a programme for processing of PVC into finished products. Market research is being conducted into methods and opportunities for PVC processing. By 2010 the company aims to increase the processing up to 40,000 tpa. In 2002, 12,000 tons of PVC was processed.

Sayanskkhimplast plans to start an installation for burning hydrogen at the end of the current year. The cost of the installation is 1.5 million roubles with the time of pay back about 1.5 years. Sayanskkhimplast plans to cease purchases of the most expensive sources of steam by 2006, and is aiming to reduce energy consumption by around 30%.

In the first quarter of 2003 Sayanskkhimplast's production of PVC fell by 12.5% to 52,500 tons. This drop was caused by a reduction of ethylene supply from Angarsk, a stipulated volume in the contract agreed with YUKOS.

However, caustic soda increased in comparison with 2002 by 2.3% up to 29,000 tons. The production of liquid chlorine was 15,000 tons whilst shoe plastic compound output amounted to 625 tons.

### **Angarsk Polymer Plant**

YUKOS has started modernisation of equipment for ethylbenzene and styrene production at fully owned subsidiary Angarsk Polymer Plant. More than \$10 million has been allotted for this programme.

## **Omsk**

### **Omsk carbon black plant**

The largest Russian carbon black producer Techuglorod at Omsk has commissioned its own power station, including two steam turbines. This will provide the main power needs of the company. With another turbogenerator planned for the near future the company will be able to achieve full independence for energy. This will be more cost-effective than buying energy from the local supplier Omskenergo. The introduction of its own energy will also solve environmental problems. The company expects a pay back period of four years for the power station.

## **Dzerzhinsk/Nizhniy Novgorod**

### **Environmental issues**

On 9 March BBC TV showed a 45 minute documentary on the environmental problems of the Dzerzhinsk area, caused by the chemical industry. Greenpeace has described the Dzerzhinsk area as the most polluted on earth with mortality rates lower than anywhere else in Russia. The programme was a frank reminder of the state of some chemical plants where the lack of investment, and at the same time continued production levels, have created serious problems that have not had the appropriate attention to date.

### **Korund**

The arbitration manager of Korund, the polyurethane producer, at Dzerzhinsk has stated that the company is ready for sale. Production has been stopped and the level of power supply has been reduced to the minimum necessary for the storage of hazardous chemical objects. The preliminary date of the sale is the middle of May at a price of \$9-10 million. The debt to the power suppliers is 180 million roubles and the total debt of the company totals 1.5 billion roubles.

## **Tyumen**

As part of SIBUR's decision to buy shares in Tobolsk-Neftekhim Gazprom may allocate about \$20 million for the implementation of a project at Tobolsk for iodine and bromine.

The Tyumen plastics plant has started the production of urea-formaldehyde resins based on its own technology which excludes liquid waste products reduces the emissions into the atmosphere.

## **East Urals**

### **Uralkhimplast**

Uralkhimplast plans to launch a 120,000 tpa formaldehyde unit in April which is aimed at meeting increased domestic demand. In the second half of 2003 the company will start the revamp of the pentaerthritol plant at a cost of around \$3 million and will increase capacity by 5,000 tpa. Other projects being planned by Uralkhimplast include polyformaldehyde resins.

## **Product News**

### **Olefins**

Ethylene production in Russia broke through the 2.0 million ton barrier last year with polyethylene at the same time breaking 1.0 million tons. The two largest increases for ethylene were seen at the Tomsk plant, which rose

from 138,700 tons in 2001 to 173,600 tons, and at Stavrolen which rose from 256,900 tons to 290,200 tons. There were some minor declines at Angarsk, Kstovo and Samara but for the most part production was steady throughout the year. This year, already with the extended shutdown at Stavrolen production, may see volumes drop back below 2.0 million tons unless Nizhnekamskneftekhim starts to produce more product from its new furnaces. As for propylene production was up 25,700 tons on 2001 with no major changes in individual plant volumes.

## **PET**

### ***Itera***

Itera's plans to construct a \$150 million PET plant at Vladimir now seems in question due to disputes with the Vladimir chemical plant. The plans for the PET project were first announced in August 2001 through the affiliated company Itera-Polyefir after it bought 15% of the Vladimir chemical plant. Itera aims included the construction of a 200,000 tpa PET plant and in formed a jv with the Vladimir chemical plant in July 2002 to manage the project. The aim was to complete the project by 2005 but as of today construction has yet to start. Itera is now discouraged about the project's chances and argues that the Vladimir chemical plant is holding up the investment.

Itera's is considering the sale of its 15% stake in the Vladimir chemical plant. At the same time efforts are underway to find another possible site for proceeding with the project. Belarus is being examined as a potential location for the plant.

## **SIBUR**

SIBUR hoped in April to start the first production of PET from the new 52 ktpa plant at Tver. The plant has been ready for some time, but the start-up has been delayed for financial reasons rather than technical factors.

## **Polief**

A compressor plant (Demag, Germany) has been installed at the PTA plant at Blagoveshchensk, with the equipment being run in for 33 hours under load. The trial results were accepted as satisfactory. This compressor plant is intended to supply the air for the PTA plant, including the paracylene oxidation.

Polief is also continuing the construction of PET production facilities. These facilities are scheduled to convert in-house produced PTA into textile and food grade PET. Rough estimates place Russian imports of PET at 340,000 tons in 2002.

The Bashkortostan government has been financing the project for several years with one billion roubles allocated for 2003. The start-up dates tend to change by the month but the latest estimate is that the PTA facility is scheduled to start up at the end of the current year. PET production is scheduled to be put onstream next year.

## **Methanol**

### ***Metrafrax***

Methanol consisted 71.6% of Metrafrax's total production in the first two months of 2003, followed by pentaerthylol with 8.1% of the total, formaldehyde with 7.1% and uzotropin with 5.5%. The company has recently

<b>Russian Methanol Production (unit kilo tons)</b>		
<b><i>Producer</i></b>	<b><i>Jan-Dec 02</i></b>	<b><i>Jan-Dec 01</i></b>
Shchekinoazot	262.6	271.3
Metanol, Tomsk	566	403.4
Metrafrax, Gubakha	772.6	740.0
NSPP, Novocherkassk	72.5	122.1
Akron, Novgorod	91.8	78.3
Azot, Novomoskovsk	186.2	211.5
Angarskneftorgsintez	21.1	21.5
Nevinnomyssk Azot	64.1	97.7
Togliattiazot	230.5	183.4
Total	2,267.4	2,129.2

introduced the Oracle E Business Suite package which is being installed in all areas of production and commerce. Metrafrax is the first Russian company to install the Oracle package. In 2002, Metrafrax achieved a turnover of 2,958 million roubles against 2,584 million roubles in 2001.

Metrafrax is planning to undertake a modernisation of its main production lines before 2005. Environmental issues will form a major part of the company's strategy.

## **Novomoskovsk Azot**

A new 300,000 tpa methanol plant was launched on 7 April at Azot Novomoskovsk in the Tula region. The construction of the new methanol plant started at Azot many years ago and has being constructed on a stop-start basis due to a lack of funds. The situation changed in June 2002 after the acquisition of Azot by MHK Eurokhim, with the project almost immediately being given an injection of finance in July last year. To complete the construction of the plant cost Eurokhim 348.2 million roubles.

The plant was fitted with both domestic and foreign equipment. Russian companies (from Penza, Volgograd, Dzerzhinsk, Kazan, Khabarovsk and St Petersburg) supplied columns, vessels, pumps and compressors. Foreign companies supplied the automatic control system TDS-300 (Austria-US), the tube furnace for methane conversion came from the Czech Republic, the carbon dioxide compressor from Germany, the air coolers from Estonia, pumps from the Ukraine, Kazakhstan, Moldova, and Bulgaria.

After launching the methanol plant Azot will be the third largest producer in Russia after Metrafrax and Tomsk Petrochemical which together account for around 60% of total Russian production. It is expected that three companies of the Moscow region: Karbolit, Kuskovo Chemical Plant and Korimos, will be the main customers, the first two of which use methanol for formaldehyde resin production and the latter uses it for octane-rising additives to gasoline.

However, Azot plans to export the major share of production to Finland and to a lesser extent Slovakia and Poland. According to Eurokhim the cost of methanol production will be 25% lower than at the old plant which will boost the plant profits. It will be possible to shut down the old production facility operating since before the Second World War.

<b>Togliattiazot Production (unit kilo tons)</b>		
<i>Product</i>	<i>2002</i>	<i>2001</i>
Ammonia	1,632	1,647
Urea	492	355
Methanol	230.5	183.4

In accordance with the modernisation programme until 2005 the company plans to spend around 900 million roubles, which includes the methanol upgrade, an increase in pentaerthyitol resins, and utropin.

#### ***Togliattiazot***

Togliattiazot modernised its primary reforming furnace for methanol production in 2002, whilst in 2003 a new line for urea-formaldehyde resins will be started.

#### **Polymer resins**

PKF Akril in the Voronezh region has set up a new process to produce Piroplast-2K petroleum polymer resin based on C9. The production process includes thermal polymerisation of hydrocarbons at 2500C temperature and up to 1 MPa pressure. The plant currently produces about 500 tons of resin per month and before the end of year is expected to increase this level to 700 tons per month. The product applications include paint, pulp-and-paper, technical rubber industries, construction and printing inks.

#### **Polystyrene**

According to the Leningrad region administration Penoplex will put into operation a 50,000 tpa polystyrene plant at Kirishi in September this year at a cost of over \$30 million. The polystyrene production license and equipment was purchased from Toyo Engineering Corporation. Penoplex announced the project last year with Toyo Engineering providing the process in conjunction with Mitsui Chemicals.

The demand of foamed polystyrene is growing strongly in Russia and Penoplex has expanded its production capacity for foamed polystyrene three times during last few years. At present Penoplex is the only Russian producer of foam polystyrene and has over 80% share of the market with imports making up the remainder. The first plant set up in by Penoplex in 1998 and now produces 70,000 cubic metres of foam polystyrene boards per annum. Gazprom is a major customer for gas pipelines.

Total turnover for Penoplex following the introduction of the new plant will be around \$100 million per annum, with the annual output per worker reaching around \$400 000.

---

### **Ukraine**

---

(Ukr hryvnia Apr 3, \$1= 5.3325, €1= 5.73)

#### **Oriana**

Oriana achieved 39.11 million hryvnia (\$7.34 million) in net revenues, a 70% fall against 2001. Oriana reported net losses of 221.5 million hryvnia (\$41.56 million) in net losses. Oriana needs to be distinguished from LUKOR, the joint venture with LUKoil which runs the petrochemical facilities at Kalush. LUKoil has enquired about buying Oriana from the state but outstanding debts have helped deter interest.

### **NaftoKhimik Prykarpattia**

The State Property Fund is offering the last state-owned stake of 26% in Nadvornaya-based oil refinery NaftoKhimik Prykarpattia via the Kiev stock exchange. The auction is scheduled for 22 May 2003. Last year NaftoKhimik Prykarpattia refined 865,500 tons of oil, down 0.8% against 2001. Oil products included 161,700 tons of gasoline, 308,000 tons of diesel fuel, and 411,300 tons of fuel oil. The refinery's sales totalled 331.958 million hryvnia.

### **Krasitel**

Krasitel at Rubezhnoye has been excluded from the list of companies which are considered of strategic importance to Ukraine's economy. This move is thought to help Krasitel's financial situation and to enable it to attract investments.

### **Azot Severodonetsk**

Azot has started the construction of third line for VAM, the cost of which is \$2.5 million with the start-up planned for the summer. This new line will enable the company to export VAM.

### **Rivneazot**

Rivneazot saw its after tax losses deteriorate further in 2002 to 82 million hryvnia, representing 2.8 fold increase over 2001. Increased production costs, the loss of traditional sales' markets and the sale of a 53.86% stake in the company are all factors which contributed to the losses.

### **TNK-Ukraine**

TNK-Ukraine has put out a tender for 600 tons of LDPE which need to be supplied to the Lisichansk refinery (Linos) in the period April-December this year. Tenders are to be made prior to 17 April. There is of course a 200 kilo tpa plant at Severodonetsk which is idle due to the inactivity of the ethylene cracker at Lisichansk and this plant is waiting for an investor to become active. In 2002, Linos produced 5.829 million tons which represented a 16.6% increase over 2002.

### **DneproAzot**

The state property fund has recognised Energoinvest of Dnepropetrovsk as the winner for the tender for a 25.17% stake in DneproAzot. The government stake was sold for 12.26 million hryvnia. DneproAzot specialises in the production of ammonia, urea, caustic soda and chlorine. Last year DneproAzot reported hryvnia 16.588 million (\$3.1 million) in after-tax losses, which represents nearly a fivefold decrease as compared to hryvnia 80.887 million (\$15.06 million) of net losses incurred in 2001. Over the period, the company's net revenues fell by 0.1% to 439.394 million hryvnia (\$82.4 million).

### **Styrol**

Styrol in February produced a record quantity of polystyrene following investment last year. The company increased production by 1,377 tons over February 2002. In January-February this year the company's production of polystyrene increased by 180%.

### **Khimvolokhno Chernigov**

Khimvolokhno Chernigov has started supplying polyamide cord to Nizhnekamskshina. This will mean an increase in production levels as at present the volumes of processing covers only the requirements for the Ukrainian cord market.

In March, Khimvolokhno thus announced its intention to increase the volume of processing of raw material for the production of kapron cord by 100%, or from 20 tons per day up to 40 tons per day. Khimvolokhno renewed kapron production in the beginning of February 2003 after a stoppage in November 2002.

### **Urea exports**

In February, Ukrainian exports of urea increased by 13.9%, or by 36,384 more than in February 2002, totalling 298,028 tons. The main importer of Ukrainian urea in February was Brazil with 49.1% of the total. In February 2002, by contrast, Brazil did not import any urea from Ukraine.

In January and February total urea exports increased by 45%, i.e., from 442,428 tons to 641,506 tons, returning \$44.85 million and \$65.32 million respectively. Production for January-February this year increased by 9%. For the whole of 2002 exports totalled 3,074,966 tons returning \$289.495 million against 3,008,554 tons in 2001

returning \$280.048 million. The major exporters of urea in Ukraine include Styrol at Gorlovka, Azot at Cherkassy, DneproAzot at Dnepropetrovsk, and the Odessa Priportiviy Plant.

---

### Belarus

---

Bashkortostan and Belarus are developing a plan of cooperation in the field of chemical and petrochemical materials. Various ministries and institutes from both Bashkortostan and Belarus will take part in the coordination of project priorities.

Chemically pure samples of iodine and bromide have been discovered in Belarus in the Gomel area. This has raised the prospect of domestic use, possibly in the pharmaceutical industry. Efforts are underway to develop the appropriate technology for production.

#### Sales of Belarussian companies in June

Bidding for the largest Belarussian petrochemical plants is now scheduled to take place for 4-5 June this year. The initial prices for the stakes are set as high as reasonably possible. The decision to privatise represents a major step for Belarus which has lingered under the influence of Soviet style control since the break-up of the USSR.

All potential investors will be entitled to present its proposals for a 43.2% stake in Naftan and Polimer, 43% in Azot at Grodno, and 43.6% of Khimvolokhno. The starting prices for these companies include \$426 million for Naftan, \$311 million for Polimer, \$293 million for Azot and \$71 million for Khimvolokhno.

Russian companies Slavneft, Surgutneftegaz, LUKoil, Itera and Amtel have all showed interest and realistically non-Russian companies are unlikely to participate.

#### Melamine

The Italian company Frati is planning to launch a melamine production unit at Grodno which would be consumed by Lida-based Lakokraska and Grodno-based wood-processing enterprises. At present, melamine is not produced in the CIS.

Melamine will be produced from the materials supplied by Grodno Azot. FRATI is expected to invest as much as \$50 million into the project.

#### Potash fertilisers

In 2002 Belarus achieved third place in the world as a producer of potash fertilisers after Canada and Russia. The country accounted for 14.3% of global production and 15.5% of exports. Furthermore, in the first quarter this year Belarusalkali increased exports by 25% due to increased demand, particularly from China.

---

### Transcaucasus

---

#### Azot Rustavi

The conclusion of the purchase by Itera of Azot is still to be completed due to minor disagreements over finance. Thus, having already paid \$500,000 for a 90% stake in Azot Itera cannot gain the ownership rights to the company. The Ministry of Property of Georgia has requested that Itera clears the outstanding debts of Azot amounting to \$21 million, but the Russian company wants to pay somewhere around twice less than this amount. Last summer the President of Georgia approved the deal for Azot, virtually an exchange of ownership for gas supplies, but the contract has stumbled this year due to the debt problems.

Itera has been involved with Azot in the past couple of years which has helped restore some of the facilities. From 3 April mineral fertiliser production was restored at Azot, which is the only such producer in the south Caucasus. The company can produce monthly 30,000 tons of ammonium nitrate and 600 tons of sodium cyanide, which would be used in the gold industry.

From June this year Azot will restart caprolactam capacity due largely to the investments made by Itera of \$2.5 million over the period 2001-2002. About one million dollars has been invested in the development of Azot in the first quarter of 2003.

According to the business plan the total amount of capital investments proposed by Itera in the period 2003-2005 will be in the range of \$13.7 million. Itera has agreed to preserve 3,500 jobs with regular wage payments. The company is putting significant funds into the rehabilitation gas transport and distribution in Georgia.

---

### Central Asia

---

#### **Kungrad soda ash project**

In the Karakalpakstan region of Uzbekistan the construction of Kungrad Soda Plant is continuing with investments taking place in the period January-February. The total project cost is \$249 million. Installation will save around \$15 million per annum, which is spent on imports from Russia and Ukraine for caustic soda, soda ash and sodium bicarbonate.

Currently, the total demand of different soda based products in Uzbekistan amounts to around 100,000 tons. The raw material base for the new Kungrad plant includes the sodium chloride deposit at nearby Barsakelmes, with more than 130 million tons of NaCl, and limestone from the deposit at Jamansai, where the resource of NaCl is about 70 million tons. The start-up of the Kungrad Soda Plant is planned for 2004.

#### **Navoiazot**

The Cabinet of Ministers of Uzbekistan has approved the feasibility report on the project of construction of power facility at Navoiazot worth \$115.8 million. Bayer CropScience AG is considering a jv at Navoi for the production of plant protection agents.

#### **Turkmen polypropylene plant**

Japanese partners are assessing the scope for expanding the Turkmenbashi polypropylene plant which started in January last year. The original capacity was 80,000 tpa, based on Montell licence, but there are aims to try and increase that level due to good demand. Turkmenistan produced 21,900 tons of polypropylene in the first six months of 2002.

---

### Kazakhstan

---

#### **Karatau soda ash project**

Turkish company BVT plans to invest around \$120 million in the construction of a soda ash plant at Karatau with a capacity of 200,000 tpa. The plant is to be built at the idle phosphoric acid plant at Karatau which shut in the early 1990s due to weak demand. Kazakhstan does not produce soda ash at present and imports around 300,000 tpa. The raw materials for the Karatau plant will be supplied by the Sorokl salt lake, 60 km away, and limestone will be supplied from Aktau which is only 8 km away.

#### **Kazphosphate**

Thermphos Holding B.V. a leading company in the business area of phosphorus, phosphates and phosphorus derivatives, announced in February that it had acquired shares by a group of private investors led Kazakh phosphorus company Kazphosphate LLC. The combined activities will allow both companies to improve their competitive position in the phosphorus and derivatives markets. Thermphos International will assist the management of Kazphosphate, in strengthening their technological and market position.

Kazphosphate LLC is a leading chemical enterprise in Kazakhstan. The company employs approximately 8,000 workers in various production sites throughout the country. Kazphosphate activities include: rock phosphate mining; phosphorus, phosphoric acid and STPP-production; fertiliser and detergent plants.

#### **Chevron Texaco**

In early April a plant was opened at Atyrau for the production of polyethylene pipes by Chevron Texaco, which cost around \$20 million. The plant represents an important step in the diversification away from oil and gas production for the Western companies.

The plant has been constructed using modern technology and equipment with a capacity of 7,000 tpa of pipes based on high density polyethylene of different diameters. It is seen as a symbolic new development for the Kazakh chemical sector which has lacked investments since independence in the early 1990s.

**Contents Issue No 148**

<b>CZECH REPUBLIC .....</b>	<b>2</b>
Unipetrol .....	2
Iraq .....	2
BC-MCHZ .....	2
<b>SLOVAKIA .....</b>	<b>2</b>
MOL-Slovnaft .....	2
<b>HUNGARY .....</b>	<b>3</b>
BorsodChem .....	3
MOL .....	3
Pannonplast .....	3
<b>POLAND .....</b>	<b>3</b>
Zachem .....	3
Gas supplies .....	4
<b>ROMANIA .....</b>	<b>4</b>
Petrom .....	4
Privatisation .....	4
Henkel-Romania .....	4
<b>BULGARIA .....</b>	<b>4</b>
<b>SERBIA .....</b>	<b>5</b>
Mazheikiu Nafta .....	5
Achema .....	5
<b>RUSSIA .....</b>	<b>5</b>
Polymer consumption rises in 2002 .....	6
Oil refining .....	6
<i>SIBUR</i> .....	7
Azot Kemerovo .....	7
SIBUR-Neftekhim .....	7
Voronezhsintezkaucuk .....	7
SIBUR-Khimprom .....	7
<i>Tatarstan</i> .....	8
Nizhnekamskneftekhim .....	8
Sevilen .....	8
<i>Bashkortostan</i> .....	8
Salavatnefteorgsintez .....	8
Ufakhimprom .....	8
<i>LUKoil</i> .....	8
<i>Eurokhim</i> .....	9
<i>Leningrad region</i> .....	9
<i>Irkutsk</i> .....	9
Sayanskkhimplast .....	9
Angarsk Polymer Plant .....	10
<i>Omsk</i> .....	10
Omsk carbon black plant .....	10



<i>Dzerzhinsk/Nizhniy Novgorod</i> .....	10
Environmental issues .....	10
Korund.....	10
<i>Tyumen</i> .....	10
<i>East Urals</i> .....	10
Uralkhimplast.....	10
<i>Product News</i> .....	10
Olefins .....	10
PET .....	11
Itera .....	11
SIBUR.....	11
Polief.....	11
Methanol .....	11
Metrafrax .....	11
Togliattiazot .....	12
Polymer resins.....	12
Polystyrene.....	12
<b>UKRAINE</b> .....	<b>12</b>
Oriana .....	12
NaftoKhimik Prykarpattia .....	13
Krasitel .....	13
Azot Severodonetsk .....	13
Rivneazot .....	13
TNK-Ukraine.....	13
DneproAzot .....	13
Styrol .....	13
Khimvolokhno Chernigov .....	13
Urea exports.....	13
<b>BELARUS</b> .....	<b>14</b>
Sales of Belarussian companies in June.....	14
Melamine.....	14
Potash fertilisers.....	14
<b>TRANSCAUCASUS</b> .....	<b>14</b>
Azot Rustavi .....	14
<b>CENTRAL ASIA</b> .....	<b>15</b>
Kungrad soda ash project .....	15
Navoiazot .....	15
Turkmen polypropylene plant .....	15
<b>KAZAKHSTAN</b> .....	<b>15</b>
Karatau soda ash project .....	15
Kazphosphate .....	15
Chevron Texaco .....	15

