

НЕФТЬ И КАПИТАЛ

АНАЛИТИЧЕСКИЙ ЖУРНАЛ

ИЗДАЕТСЯ С 1994 ГОДА



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ИЗДАЕТСЯ С 1994 ГОДА

...деи транспорт-
...яющей место-
... с «Оренбург-
...м в свою оче-
... с Татарста-

НЕФТЕХИМИЯ

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...ных регионах.
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...леко быстрее,
...о время, ког-
...дет сп...

...«Нижнекамскнефте-
...химе» и 640 тыс. — на «Казаньорг-
...синтезе»). И уже
...ство дополни-
...В общей сложности только «ТАИФ»
...1998 года вложил
...«Нижнекамскнефте-
...камскнефтехима» предлагается одоб-
...рять эмиссию акций, в результате
...которой размер уставного капитала
...увеличится в 17 раз — до 25,8 млрд
...рублей. Это

During the last decade the petrochemical complex of the Republic was an engine that jump-started its economy, Tatarstan authorities declared. The stake turned out to be without risk of loss, and today the contribution of the petrochemical industry into the republican budget is equal to the investments of oil industry. The branch is still developing very quickly due to the modernization of the existing productions and building of new manufactures on the basis of modern technologies. Local experts claim that the obtained strength reserve will help petrochemical companies of Tatarstan to overcome the consequences of joining the WTO without a considerable shock, and to withstand the competition with foreign producers, which will then have a free access to the Russian market. Is it really so? The «Oil and Capital» magazine («OaC») speaks to Albert Shigabutdinov, the Director General of «TAIF» Public Stock Corporation, which controls the Tatarstan largest petrochemical companies, about the current situation and the perspectives of the republican petrochemical complex.



Albert Shigabutdinov: «The integration processes in domestic petrochemical industry shall be accelerated»

«OaC»: *Albert Kashafovich, it seems like the issue of Russia's joining the WTO is finally settled. How would it influence «TAIF» business?*

– The examples of the other countries show that, as a rule, the agreements following the process of joining the WTO, start operating about 1,5-2 years after being signed. Within this period we have to realize a line of investment projects at «Nizhnekamskneftekhim», «Kazanorgsintez», and «TAIF-NK» manufactures. These activities, together with raw material advantages, will provide them with technical and organizational level allowing competing with foreign producers, getting free access to the Russian market. Of course, it will be very difficult to participate in this competition, but then, I am sure, it won't be fatal for us.

«OaC»: *Do you plan to join separate companies into one large chemical conglomerate in order to reinforce your position at the market?*

– It is very difficult to come to an agreement of joining, while it is possible to operate independently rather well. That's why the integration processes are very slow in this field. Thus, we have been negotiating a new business with possible partners for more than a year; for example, with «Gazprom» and its branches («SIBUR» in particular). But we haven't reached agreements yet. Still, our positions are getting closer. The real perspective of Russia joining the WTO must accelerate integration processes.

«OaC»: *We know that «TAIF» is negotiating the partnership with the largest world petrochemical*

companies. Do the foreigners want to set up a joint venture on the basis of your company or to purchase the shares?

– Currently, we are discussing the possibilities of creating joint ventures with Basell, BASF, DOW Chemical, Univation Technologies. Our mutual interest is rather high, and I have no doubt that these joint ventures will appear rather soon. As for investors' participation in «Nizhnekamskneftekhim» and «Kazanorgsintez» authorized capital stock, I can say that they already own 6.5% and 4% of shares correspondingly. Of course, they would like to increase their share volume. But it's not the sale-time for these companies yet, as well as for the entire domestic petrochemical industry, as this branch is still seriously undervalued.

«OaC»: *So the information about «Nizhnekamskneftekhim» selling its holding of shares to Kazakhstan, which appeared in mass media, does not reflect your intentions?*

– To be honest, I found out about «our intentions» from the newspapers. Nevertheless, Kazakhstan is a very attractive partner to us. This country has plenty of raw material resources: oil, gas, and gas condensate. But unlike Tatarstan it does not have hydrocarbon refinery and petroleum and gas chemistry, whereas Tatarstan is the largest natural gas consumer, both for fuel purposes and for the very well developed and improving petroleum and gas industry. Today the annual demand for the natural gas in the republic is 24 bln cbm. But it is not completely satisfied. For example, because of the lack of gas, its power-engineering capacities are only 50% loaded. So the basis for the fruitful partnership and mutual interest are quite obvious. Besides, the distance between Kazakhstan sources of raw material and Nizhnekamsk is only about 500 km.

Currently we negotiate the co-operation opportunities for the next 15-20 years. There are two possible ways. The first one assumes the development of the existing transportation system, which joins Kazakhstan deposits with «Orenburggazprom», which is connected to Tatarstan pipeline (this company is currently creating a joint venture with «KazMunaiGas» on the basis of Orenburg Gas processing plant-«OaC»). The second variant is non-intermediary partnership. In this case we'll have to create a new transportation corridor. But there's no need to reconstruct everything. There are enough spare pipes on this way, which have been built in Soviet times and can be shaped into convenient transfer routs. We are currently viewing financial aspects of these two ways of co-operation.



The modernization of a number of productions is to be completed at «Kazanorgsintez» by 2007, the construction of a new ethylene plant to start

«OaC»: *Do you suppose that Kazakhstan has already chosen to co-operate with the Russian petroleum and gas chemistry rather than to create its own industry?*

– There is only one thing I know. Kazakhstan will need at least 20 years and USD 20bln, in order to start from the beginning, to employ qualified staff, and to commence a petrochemical complex equal to «Nizhnekamskneftekhim». You can just compare: the realization of «TAIF» Petrochemical Development Program until 2015 will cost maximum USD 7bln, and will provide the production output at the amount of no less than USD 16-20bln. By then, the capitalization of only three of its enterprises («Nizhnekamskneftekhim», «Nizhnekamsk NPZ», «Kazanorgsintez») will exceed USD 30bln.

We could suggest that «KazMunaiGas» shall participate in realization of our programs, taking from 3 to 5 years only. Most part of the infrastructure does already exist; and the personnel issue could be easily solved in Tatarstan: as there is a number of educational

institutions specializing in chemical technology, colleges, scientific research institutes; besides, there are enough qualified specialists. This partnership may help Kazakhstan to make an effective investment and to gain enough experience in order to establish its own petrochemistry.

«OaC»: *But «Orenburggazprom» has already announced of its intention to build ethylene manufacture in Orenburg. It could be the logical solution, that «KazMunaiGaz» will participate in the project, at least because of its beneficial geographical location.*

– Certainly, this project has raw material advantages. But the construction of the ethylene complex in Orenburg may take at least from 8 to 10 years. At the same time, if we unite the efforts of Tatarstan, Kazakhstan and «Gazprom», within 5 years we shall be able to establish a powerful complex in Tatarstan, which will not only meet the needs of all Russia and Kazakhstan in all types of polymers but will increase their export potential. The grow-



The program of the TAlF petrochemicals block development until 2015 is estimated as USD 7 bln.

ing demands (the perspectives are huge) in future will be met by establishing the similar manufactures in other regions.

«OaC»: Why don't you suggest this ambitious project to, let's say, Bashkiria, which has a powerful petroleum refinery capacities? Besides, ever since the Soviet period, this republic has been oriented at Karachaganaksk deposits of raw materials.

– You are right; it's possible to build an ethylene complex in Bashkiria much faster than in Orenburg. There were times, when we thought that it was exactly what should be done. The good perspectives were based on «Salavatnefteorgsintez» shares trust management transfer to «Gazprom». It seemed that this time the company got serious opportunities of the fast development along different lines of activity. But the chance was missed. As a result, «Salavatnefteorgsintez» still produces ethylene in the amount of 300 thousand tons a year.

This means that the petrochemicals development basis here shall be created practically anew. This enterprise will need at

least 5-6 years for reaching the current production level of «Nizhnekamskneftekhim». And this may happen only if «Nizhnekamskneftekhim» stops its development. But our plans are just the opposite.

There will be 1.3 tons of ethylene produced in Tatarstan in 2007 (620 thousand in «Nizhnekamskneftekhim», and 640 – in «Kazanorgsintez»). The construction of new manufactures has already begun. Since 1998 «TAlF» has altogether invested about RUB 90bln in the republican petrochemistry.

«OaC»: In December «Nizhnekamskneftekhim» shareholders will be suggested to approve of shares issue, which may result in the authorized capital stock growth by a factor of 17, that means by RUB 25.8bln. This puts the minorities into a disadvantageous situation, because their shares might get degraded.

– The authorized capital stock increase is favorable for the company. Hence it's good for the shareholders. Naturally, I am speaking of the ones that are interested in the production development. This will significantly increase the «Nizh-

nekamskneftekhim» capacities in attracting large credit resources on profitable conditions.

Today in order to fulfill the global plans we need USD 2bln. The company won't be able to draw this amount of money on loan conditions. But we could get USD 1bln from the shareholders as a result of the additional shares issue, and then easily attract another USD 2bln.

By the year 2012 the investments will allow «Nizhnekamskneftekhim» to bring the revenue up to USD 6bln, and the total profit amount- up to USD 1bln. But even if the shareholders support the authorized capital stock increase, the company would still remain underestimated. According to our plans, its capitalization will reach USD 9bln by 2012 (today it is USD 2bln). And its full potential, considering the development program realization, will be no less that USD 20bln.

By the way, 90% of the Board of Directors have voted for the additional share issue. The shares will be distributed by closed subscription, strictly proportionate to the shares of the holders that have been registered by October, 26, 2006. In particular, the Tatarstan government-owned «Svyazinvestneftekhim» holding, intends to buy out and to keep 26% of the company's shares for itself.

«TAlF» will also buy out the holding stock completely. Currently our company controls 79% of «Nizhnekamskneftekhim» voting stock (about 70% of the authorized capital stock), it owns about 26% of its voting stock (22.5% of the authorized capital stock), and the rest is in asset management. The resources allow us to fulfill the buying out procedure without prejudice to financing the development of other manufactures. A few investment projects have already begun repayment this year.

«OaC»: In your interview this spring you said that «TAlF» is

planning to sign the partnership agreement with TNK-BP and «Rusal». Why it didn't happen still?

– The agreement with TNK-BP is still very attractive to us because this company is developing oil deposits in Orenburg and is getting the associated gas rich in ethane. Besides, there is an infrastructure for its collection and its separation units at the Orenburg Helium Plant, which is connected to «Kazanorgsintez» by the ethane pipeline. We suppose that very soon the TNK-BP Board of the Directors will make a decision regarding signing the contract.

At the same time we continue to search for the new raw material partners and to strengthen the relationships with the traditional suppliers. I have already mentioned the contracts with Kazakhstan. Soon we also suppose to sign a long term raw material delivery agreement with «Orenburggazprom», which provides for a significant acceleration of ethane production at the Orenburg helium plant.

As for the agreement with «Rusal», concerning the joint establishment of profound processing of heavy petrochemical wastes into coke on the basis of Nizhnekamsk oil-refining plant, it is still not signed. But we have not got time to wait until the company, which is working on more global projects goes back to our agreements. And it is not that significant anymore.

Today we can finance this project independently. That's why we announced the international tender, during which there will be given a license allowing the building of the heavy petrochemical wastes profound processing plant, with the capacity of 3mln tons a year and with the perspective of increasing it to 6mln tons a year. The partner will be appointed in the first half of 2007. The manufacture should be put into operation by 2009.

«Rusal» may join the project at any time.



The depth of processing and the production of a wide range of petrochemicals is of great importance for «TAIF»

«OaC»: «TAIF» has also planned to develop its own oil-production. What is done in this direction?

– We have decided to take it slowly. The petrochemical projects demand very large investments; therefore it's quite problematic to distract the financial resources. Furthermore, they won't kick back immediately. And there's enough oil on the market today.

Besides, I haven't changed my opinion that Tatarstan needs a Vertically Integrated Oil Company, based on its largest oil-producing and oil, gas and chemical assets. Economically, this alliance makes sense. I think it is the matter of time.

«OaC»: What do you think has been «TAIF» major achievement this year, and what are the plans for the future?

– In 2006 we started getting a serious kick back from the projects we've been working upon during the past ten years. Now nobody can say that «TAIF» is a baseless company that has only wasted a huge sum of money. Thus, three enterprises have been commissioned: the automobile

gasoline plant that produces the Euro-3 standard gasoline, the gas condensate processing plant, and the polypropylene plant.

In 2007 the capacities of Nizhnekamsk Vacuum Gas Oil Processing plant and the Automobile Gasoline plant will be increased up to 1mln tons a year. We are starting to produce the Euro-4 standard gasoline, the certified kerosene and Jet and TC-2 t jet engine fuel. The butane-butylene and pentane-propylene fractions' sulfur and heavy wastes purification plant will be finally put into operation, thus, «Nizhnekamskneftekhim» rubber production will get the additional 200 thousand tones of raw materials a year. The ultra-modern bitumen plant will get the capacity of 150 thousand tons a year and will be put into commission this year, in the end of December. Ethylene, high density polyethylene, phenol and acetone production modernization will be completed, the polycarbonate plastics complex will be put into operation, the new ethylene complex construction will start at «Kazanorgsintez». The realization of all of these projects is

provided by the Tatarstan Oil, Gas and Chemical Complex Development program. Tatarstan Security Council considered them all to be of primary importance.

The further plans are estimated in «TAIF» 15 year-long Petrochemical Block Development Program. There will be mentioned the perspective development lines for all the businesses', the deadlines of introducing the modernized and new manufactures, there will be outlined the schemes of financial and raw material provision of the projects. The main stress is put on intensive raw materials refining and obtaining a wide range of high redistribution level petrochemicals, most of which are not produced in Russia. The program development consultants are our foreign partners Foster Wheeler France, ABB Lummus Global, Mitsui, Mitsubishi, and others. They are all interested in having their ideas in the program for they intend to participate in a number of projects.

«OaC»: These plans aim as far as 2015. But not long ago you

said that by 2012 «TAIF» might sell its petrochemical business in order to invest the money into other perspective projects. Hi-tech, machinery construction, for example...

– Our main goal is to get the wheel rolling, to create a mechanism that will provide accurate activity of the petrochemical field of the Republic, that will assure the capacity for constant renewal no matter what team (of professionals, of course) is in power. If we achieve that, why not use our managing and financial abilities to elevate other perspective fields.

We could have already started to invest some finances in the new fields, apart from carrying out the planned petrochemical projects. But we need the Federal Government's support for that.

«OaC»: What do you mean?

– I mean, in particular, the Stabfund means, which are currently used very ineffectively. The major case for is the inflation threat and the possible funds' plundering. Our suggestion completely excludes these negative possibilities.

Why doesn't the government (if it is really interested in developing the domestic industry) loan up our lending invested in improving the petrochemical productions at the expense of the Stabfund? First of all these funds are already invested and the process of their return is under the vigilant surveillance of the creditors: the domestic and foreign banks. (In order to finance the existing automobile gasoline production, gas condensate and polypropylene refinery, we have taken the loans at the total amount of USD 1bln for the period of 7-8 years.) So they cannot be plundered. Besides, these sums are covered by the produced output; therefore they won't provoke the inflation. So, the Stabfund doesn't risk anything in this case. And if we got the money, we would pay out debts to the commercial banks and would get new loans for the new projects. We could go on endlessly.

But it is extremely hard to knock until we are heard by those who are responsible for the decision.