



## OUR MISSION IS TO SERVE THE DOMESTIC MARKET

Sergey Komyschan speaks about the potential importance of ZapSibNeftekhim for the Russian polyolefin market.

**The launch of ZapSibNeftekhim has been rescheduled from 2020 to 2019. This means that, in the near future, experts believe that the new facility is set to disrupt the domestic polyolefin market...**

#QUOTE0#

Indeed, this launch will bring immense and clearly positive change to the market, given that this huge cutting-edge project with capacity for 2 mt will occupy the vast majority of niches still dominated by imported feedstock. I believe that we will be able to push up to 400 kt of foreign-made bulk plastics out of the Russian market. ZapSibNeftekhim will play a key role in substituting 85%–95% (depending on the product) of current polymer imports – mainly from Northeast Asia, Middle East, and Europe, and with an estimated value of RUB 34 bn per year. ZapSibNeftekhim also has considerable import substitution potential in the end-product segment – from pipes to packaging – that currently exceeds RUB 15 bn per year, due to the lack of Russian-made polymer feedstock. The facility's annual exports may earn up to RUB 140 bn.

We intend to produce grades for pressure pipes, rigid packaging, sheets, and auto parts. Although other polymer manufacturers already have these kinds of plastics in their product ranges, our offer will be unparalleled in terms of quantity and variety.

#VIDEO0#

*ZapSibNeftekhim construction progress in spring 2019.*

#QUOTE1#

Future product properties, another important aspect, are hugely dependent on product design for manufacturability. Switching from one grade to another is quite a costly exercise and can have an adverse effect on productivity. ZapSibNeftekhim, however, will be running four polyethylene production lines and a polypropylene line operating in tandem with SIBUR Tobolsk's existing polypropylene facility in different modes and with different catalyst systems. This will make us more flexible than other manufacturers in the market.

A wider range of grades will at last enable Russian processing companies to manufacture products that are currently imported. Our clients will benefit from quick delivery, reasonable prices, the removal of currency risks, and a service package. In Q2 2019, we inaugurated PolyLab, our R&D centre for the development and application of polyolefins at Skolkovo. This platform is designed to streamline the process of creating, testing, and launching new grades, as well as providing us with immediate feedback from processing companies.

The centrepiece of our innovative strategy is a variety of ready-to-use solutions, which will be able to facilitate the manufacture of new, better, less costly products with lower material consumption, rather than simply offering a range of polymer grades. We aim to provide processing companies with everything they may need to adapt our feedstock to their needs smoothly – be it an appropriate set of additives or operating mode recommendations. Incidentally, as current supply far outweighs demand, I would not rule out the possibility of buyers benefiting from favourable developments in PE and PP pricing.



*Russia's Prime Minister Dmitry Medvedev at the opening of SIBUR PolyLab on 29 May 2019.  
Photos: sk.ru*

However, I would ask for your patience, as it will take some time to launch and fine-tune the equipment, train the personnel, and streamline production. This is why we are planning to introduce the changes I recently mentioned gradually, so our production staff can master this new and, to a great extent, unique facility.

#QUOTE2#

**Processing companies that use Russian-made polyolefin grades have come up against quite a few quality issues...**

Yes, and this is especially true for clients' increasingly sophisticated requirements for the range of grade properties. However, I do believe that the quality management system we have built for our assets positions us to offer the required narrow range of properties – first and foremost for polypropylene – and to focus on specific segments and applications. For example, we manufacture quite a good grade for nonwoven materials and, in my opinion, Russia's best grade for BOPP film extrusion. We also offer solutions which have proven popular with the pipe sector. One of the things the market wants us to do is provide thinner packaging and lighter components, while at the same time retaining the same rigidity and puncture resistance. We treat this as the challenge that it is. Launching new products and improving existing ones are the exclusive responsibility of cross-functional teams made up of

experts in marketing, vending, polymer production, product development and technical support, as well as their colleagues from PolyLab. We do hope that PolyLab will facilitate the creation and fine-tuning of our products, because we will not have to wait for months on end while products are delivered to and tested by the processing company. We are walking the path of continuous improvement, and have already gained some experience in achieving the required product quality. For instance, it took us a year to replicate the properties of our flagship products after our Tomsk site was renovated. Our Tomsk facility already supplies brand new, promising grades, including those for thin-film production.



*The opening of the upgraded polypropylene and polyethylene production facility at SIBUR's Tomsk site, 15 September 2016.*

**Seamless feedstock supply is one of the processing companies' requirements.**

#QUOTE3#

I think polymer producers' failure to meet deadlines is due to either a lack of materials or some technical force majeure. SIBUR, however, possesses multiple polymer production facilities and multiple cutting-edge lines rather than a single asset, and this serves as a sort of 'insurance' for us. Also, our extensive warehouse network – which recently adopted a new logistics platform in Vorsino – contributes to the wider availability of our materials. Our contracting system motivates both parties to deliver on their obligations. Of course, we want

processing companies to clearly state their requirements. SIBUR encourages long-term win-win relationships with its clients.

Our mission is to serve the domestic market and it should be noted that Russian clients are our primary focus. Sometimes, when faced with local product shortages, we even suspend exports and sacrifice profits to keep our domestic customers satisfied.

We certainly have export agreements, and we view them as an integral part of our business. This often helps us avoid accumulating stock, as polymer demand is, to some extent, seasonal. For example, we focus on the domestic market in summer, while during cold season we have to deal with surplus stock, which is eagerly bought up by our foreign clients. The Russian market will clearly be unable to consume the whole output of ZapSibNeftekhim, as its capacity outstrips demand in the country's processing market. So, we plan to export 50%–60% of plastics produced. But make no mistake, we will meet demand, and I believe that we will be in a position to leave the word 'deficit' behind.

**SIBUR**

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