



AMUR GAS CHEMICAL COMPLEX: PROGRESS UPDATE

As part of the EEF, SIBUR presented the Amur GCC project to Vladimir Putin and signed a term sheet with Gazprom to supply LPG.

The Eastern Economic Forum held in early September saw a presentation of the Amur Gas Chemical Complex (Amur GCC) project delivered by Dmitry Konov, Chairman of the Management Board at SIBUR Holding, to President Vladimir Putin.

#QUOTE0#

The project is set to build one of the world's largest gas chemical facilities in the Svobodny Priority Development Area of the Amur Region. The feedstock for the project to be launched in 2024 will be sourced from Gazprom's Amur Gas Processing Plant (Amur GPP), currently under construction. The Amur GCC will be in close proximity to GPP and technologically connected with Gazprom's facility.

By now, SIBUR and engineering companies have entered into licence agreements and FEED contracts. The site is being prepared for construction by engineers. The Company is planning to make the final investment decision for the project before the year-end, with the construction set to start in 2020 (subject to approval).



Amur GCC construction.

#QUOTE1#

SIBUR may implement the Amur GCC in a basic or extended configuration. The basic configuration provides for processing of 2 mtpa of ethane fraction to come from the Amur GPP. The facility then will have a capacity of 1.5 mtpa of ethylene that could be further processed into polyethylene grades enjoying both domestic and global demand. The project will create about 1,000 new high-tech jobs at the GCC and auxiliary facilities.

The extended configuration boasts a larger capacity of up to 2.7 mtpa of end products resulting from an additional 1.5 mtpa of liquefied petroleum gas (LPG) supplied by the Amur GPP. If the extended option comes to life, the Amur GCC will become the world's largest producer of polyethylene and polypropylene, creating up to 300 jobs in the region on top of that. A configuration decision will be subject to the Government's adoption of a bill introducing a negative excise tax on liquefied petroleum gases.



Presenting the Amur GCC project at the Eastern Economic Forum.

Pursuing the extended configuration at the Amur GCC, SIBUR and Gazprom entered into a term sheet setting out the key commercial terms for the supply of LPG to the Amur GCC. Under the contract, Gazprom will supply 1.5 mtpa of feedstock to the Amur GCC. This will enable SIBUR to increase the project's design capacity from 1.5 mtpa of polyethylene alone to 2.3 mtpa of polyethylene and 400 ktpa of polypropylene. The document was signed by Dmitry Konov, Chairman of SIBUR Holding's Management Board, and Alexey Miller, Chairman of Gazprom's Management Committee. Earlier, the companies stroke a deal to supply 2 mtpa of ethane fraction.



Dmitry Konov and Alexey Miller signing the preliminary agreement. Photos: gazprom.ru.

The new agreement makes it more likely for the companies to approve the construction of a plant exceeding the initial project.

“The agreement opens up an opportunity for us to increase the amount of hydrocarbon feedstock to be processed in Russia. If we opt for an extended version of the project, LPG will be processed domestically instead of being exported, thus providing additional feedstock for related industries and enabling us to manufacture more high-tech export-oriented products,” said Dmitry Konov.