



Russian chemical sector

The chemical industry in Russia is considered as one of the growing production industries. In 2017, the value of Russian chemical and petrochemical output was approximately 3.600 bln RUR (around \$57 bln) and equal to 3.7% of GDP. Approximately 80% of the manufactured products are ammonia, fertilizers, sulfuric acid, plastics and synthetic salts.

Geography

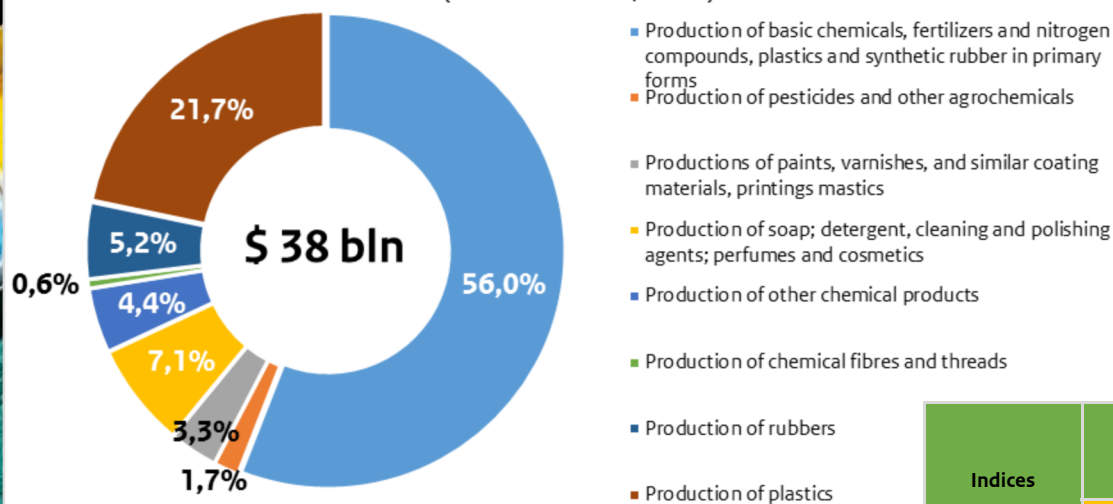
The chemical industry is significantly represented in 44 of 83 Russian regions. Chemical clusters in Russia are based on the availability of natural resources (mainly petrochemicals) or proximity to the main transport corridors to export bulk chemicals. Thus, there are several clusters close to the oil&gas extraction and nearby main ports of the Russian Federation. There are six main clusters: West-Siberian, Volga, Caspian, East-Siberian, Far-Eastern, North-Western clusters.

In the future the emergence of new clusters can be expected on the basis of the large factories, located in the Urals, in Solikamsk, Nizhny Tagil. The plans also include the development of existing and the creation of new petrochemical clusters in Nizhny Novgorod region, Bashkortostan and Omsk.

Main numbers

- The industry includes two dozen subindustries, producing about 16.000 types of products
- 3.500 large enterprises and SMEs
- 100 scientific and design organizations and experimental plants
- About 650.000 production workers
- In 2016, the chemical industry took the 2nd place among the manufacturing industries in terms of production growth rates (+ 5.3%), with leading positions in the production of rubber and plastic products
- Overall output of chemicals in Russia rose in 2017 by 4.3% year on year, with mineral fertilizers accounting for the greatest increase in production
- The share of chemical industry in the overall export made 5.7% in the first quarter of 2017 and 19.0% of import in the first half of 2017.

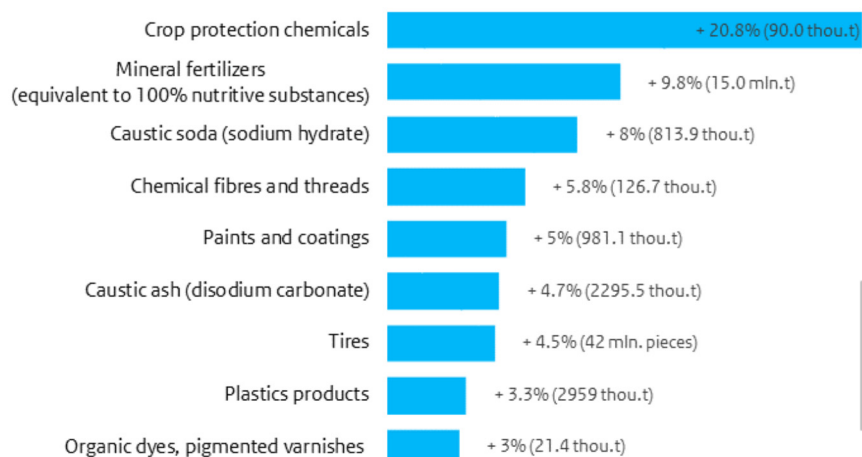
Structure of the chemical industry in money terms as per January-August 2017
(RUB 2364.6 bln ≈ \$ 38 bln)



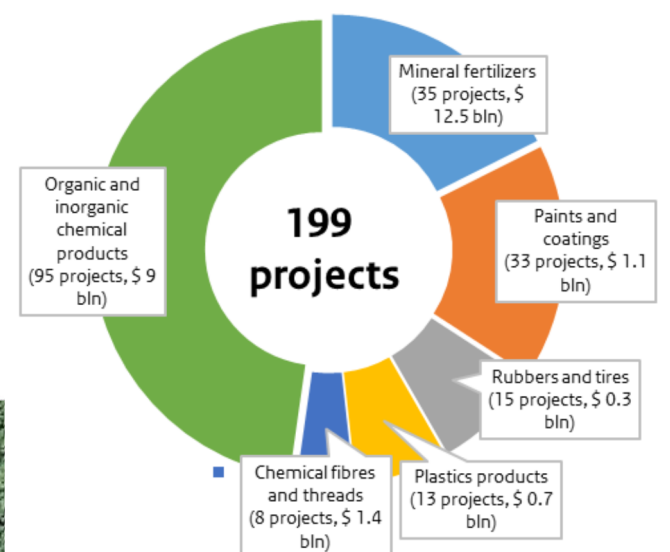
Production balance of speciality and fine chemicals in Russia
(average value in 2014-2016)

Indices	(average value in 2014-2016)	
	In volumes, thousand tons	In money terms, \$ mln
Production	3351	4814
Export	620	847
Import	1531	3779
Consumption	4262	7746

Structure of the chemical industry in volume in January-August 2017
(compared to January-August 2016)



Structure of investment projects in the Strategy 2030



Future development

Russian Government has announced Strategy of Chemical and Petrochemical Industry Development until 2030, focused on import substitution (regulation of import duties, R&D homologation subsidies), enhanced labor productivity due to development of chemical clusters, support of value-added production. In the medium term, the import substitution policy is expected to have a positive effect on the indices of the chemical industry.

The greatest potential of import substitution is demonstrated by the production of polymer products and rubber products. Meanwhile, an increase is observed in the production of chemical crop protection products, in the paint and varnish industry, in the production of chemical fibers and yarns, as well as in the production of household chemicals, again due to substitution of imported products.

In total, the Strategy-2030 includes 199 investment projects in the chemical industry with the overall investment of 1 trillion rubles (about \$15.9 bln). The import substitution policy includes 84 investment projects initiated by 55 companies from 33 regions of the Russian Federation. There are separate import substi-

tution roadmaps for the following submarkets: mineral fertilizers, plastics, paints, tires, chemical fibers and yarns.

Some of the planned investment projects:

Project owner	Project scope	Investment	Timeline
Tatneft (Mitsubishi Heavy Industries & Sojits Corp.)	Gas chemical complex Ammonia-2 in Mendeleevsk, Tatarstan	\$ 1.4 bln	2016-ongoing
Nakhodkinsky Mineral Fertilizers Plant, Primorsky Krai	Construction of a methanol and nitrogen fertilizers plant in Primorsky region with capacity of 1.8 mln tons of commercial methanol and 1.8 mln tons of ammonia annually	\$ 6.3 bln	2018-2022
Mitsubishi Corp., Sakhalin	Construction of methanol production at Sakhalin with production capacity of 1 mln tons per year	n/a	2016-2025
Ekozon Ltd. (Poland)	Construction of methanol production in Leningrad Region with production capacity of 1,6 mln tons per year	\$ 1 bln	2016-2025
Metafrax, Perm Region	Ammonia, carbamide, melamine production plant in Gubakha, Perm region	\$ 830 mln	2018-2021
Yakutsk Fuel and Energy Co. (YATEC)	Gas processing plant with capacity of up to 1.75 million tpy of methanol for sale in Asia-Pacific markets	\$ 15.9 mln	2022
Gazprom Processing Blagoveshchensk	The plant will consist of six units of 677 Million Cubic Feet per Day (MMCFD) each. The GPP will produce ready-for-sale methane, ethane, propane, butane, pentane-hexane fraction and include the world's largest helium plant	\$ 22 bln	2015-2021
SIBUR	Amur Gas Chemical Complex with capacity of 1.5Mt of polyethylene per annum	\$ 7 bln	2019-2024

Market development

In summer 2018 Bilfinger Tebodin CIS B.V. in close co-operation with the Netherlands Embassy in Russia prepared a [market study report](#) on Russian chemical market. The report covers the industry subindustries which will develop over the coming few years:

- Petrochemicals (Russia produces some 10% of the world amount of oil and gas)
- Gas processing and gas chemistry (some 40% of world gas resources are concentrated in Russia)
- Fertilizers (mineral and chemical fertilizers are main Russian submarkets in terms of volumes)
- Polymers and plastics
- Biofuels (biofuels account for only 1.2% in the overall energy production matrix of Russia, biomass accounts for only 0.5%)
- Technical rubber
- Ammonia (Russia accounts for about 9% of global ammonia production and it is one of the world's largest ammonia exporters)
- Motor oil
- Industrial gases



Andrew Jay

Exhibitions

The [Khimia international exhibition](#) was first launched in Moscow in 1965 to become one of the most prestigious chemical trade shows. Its product sectors cover all sectors of the chemical industry offering a full picture of the current accomplishments of the chemical science used in various industries.

Moscow, 29.10-01.11.2018.

What can the Embassy do for you?

The Netherlands Embassy in the Russian Federation can facilitate your company in a number of ways:

- Provide more detailed market information based on your specific questions and needs;
- Answer first-line questions re. doing business in Russia;
- Facilitate contacts with regional authorities (or federal).

More Information

For further information, you can contact the Economic department of the Netherlands Embassy in Moscow via mos-economics@minbuza.nl or phone no. +7 495 797-29-21.

You can find general information about doing business in Russia, available subsidies and financing for entrepreneurs on the Embassy's [website](#) and on the [website](#) of the Netherlands Enterprise Agency (in Dutch).

Sanctions

Please note that EU sanctions are imposed on the Russian Federation. Companies are responsible to ensure that their activities comply with the sanction regulations. For more information about sanctions, you can contact the Netherlands Enterprise Agency's [sanctions desk](#) (in Dutch) and consult the handbook on dealing with sanctions on their website.