

Big chemistry strategy



Signing ceremony for memorandum of intent between OJSC Shchekinoazot, JSC Gazprombank and JSC Russian Export Center

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Shchekinoazot has always been a household name: in Soviet times, the efficient Shchekino method was introduced here, and nowadays the company is famous for major investment projects and products which are in high demand from Western Europe to the USA. The past, the present and the future of Shchekino chemistry were the main focus of the company's museum tour given to special guests — Anton Siluanov, Russian First Deputy Prime Minister and Minister of Finance, and Alexei Dyumin, Governor of Tula Region.

STAY STRONG IN THE PURSUIT OF YOUR GOALS

"We're honored to welcome you here. We're always open to dialog and the search for the most viable solutions contributing to the development of Shchekinoazot and the country's industrial sector, as well as to the growth in prosperity of the general public," said Boris Sokol, President of Shchekinoazot, who acted as a museum guide first and then told the participants about company's plans.

It bears reminding that next year the company will celebrate its 65th anniversary. In the nineties, it went through difficult stages of perestroika and the establishment of a new economy. That period is now considered to be the time when people and companies were put to the test, and not all of them succeeded. Well-established sectoral mechanisms were destroyed as a result of processes that took place in the economy at that time. In the early 2000s, the plant was in an extremely bad state. However, the new top management adopted the company's development strategy in the shortest possible time. The strategy was focused on getting out of the crisis first and then steadily moving forward. The initial strategy consisted of three major steps: "Re-birth", "Stabilization" and "Diversification". At the moment, the company has completed the second stage of the program and has proceeded to the implementation of the third one.

Overall, Shchekinoazot has launched 16 investment projects with total investments exceeding \$880 million in 13 years (2005–2018).

"At the first stage (2005–2013) we started the production of urea formaldehyde concentrate (UFC), phenolic resins, spunbond, FDY, methanol with a capacity of 450,000 tons per year, hydrogen, formaldehyde," said Boris Aleksandrovich. "The production of caprolactam was modernized. The site was provided with electricity generated by the company — we bought Pervomaiskaya CHPP from POБIC Kvadra. Program investments amounted to \$440 million. Having implemented these projects, we were able to move further. In 2013–2018, the company continued to implement investment and modernization projects. We expanded the production of phenolic resins and spunbond, and also launched an ammonium sulfate granulation line. We started modern high-tech production of methanol and ammonia, sulfuric acid and perfume quality dimethyl ether. We also brought sewage treatment plants into operation as an important component of the company's environmental safety and the basis for our new projects. As for the investments at this stage of the implementation of the development strategy, they amounted to \$440 million. By 2024, we will complete three more major projects — the construction of facilities for the production of nitric acid and ammonium nitrate, the third methanol, M-500, as well as ammonia and urea production facilities."

Therefore, in the last 13 years the company commissioned new facilities and launched new projects almost every year using a completely different approach to their implementation. And the most interesting thing is that the majority of the projects were completed independently, without the involvement of a general contractor; and an engineering center was assembled from Shcheki-

noazot's own design teams. For example: one big project is four years of hard work and management of over 3,000 contracts.

EFREMOV CLUSTER

"At the moment we're working on the implementation of the third-stage projects," continued Boris Sokol. "We're going to invest another \$1.02 billion in the development of the company. The most important projects of this stage are the production of methanol-500, nitric acid and ammonium nitrate, ammonia and urea. All Shchekinoazot projects are aimed at increasing the export potential of the region. M-500 will help produce 1.5 million tons of methanol per year and become the leader in Russia in terms of production. We will also have the most competitive technology in terms of energy and resource intensity. When we launch two other projects, we will enter new mineral fertilizer markets with high-demand goods, thereby increasing the company's competitiveness. Work on projects is already underway, and we've already identified sources of financing — our own funds and credit resources. Production and sales volume will grow twofold in 2024 compared to 2015. The export volume is over 70 % of the company's total sales volume. By 2024, the company exports will reach \$760 million, which is 2.5 times more than in the previous year."

However, the company is not going to rest on its laurels. It is already working on the fourth stage of the investment program — the active development of production facilities in Efremov. With the regional government support, Shchekinoazot plans to develop a large gas processing cluster in Efremov as part of PSEDA. The company is considering different projects related to the construction of high-tech manufacturing plants for the production of monoethylene glycol, acetylene, polyvinyl chloride, ammonia, urea, methanol and other substances. The would-be projects are expected to demonstrate the following key figures: 2.4 million tons of products per year, over \$2 billion in investments, and over

1,500 high-performance jobs. The program is expected to be implemented in two stages: 2021–2025 and 2026–2030. Also, significant investments will be needed in the service infrastructure — expansion of energy networks and road construction. This will require the construction of a gas pipeline with a capacity of transferring 3 billion cubic meters of gas per year, power transmission lines with a total length of around 100 kilometers, and new river water lines. The construction of public amenities is crucial. The company is actively discussing the integrated development of the Efremov monoton with regional authorities and the Monotowns Development Fund.

Company representatives say that they would not have coped with all these ideas alone. They are getting significant state support and are really grateful to the Government of the Russian Federation which has prepared a number of programs and projects aimed to stimulate economic growth.

SUCCESS FACTORS

"Special thanks to the Ministry of Industry and Trade, other federal ministries and departments, the Russian Export Center, the regional government, and personally to Governor Alexei Dyumin, as well as financial institutions such as Gazprombank, Sberbank and VEB RF," said Boris Sokol. "The primary objective set by the President is economic growth and growth in prosperity of the general public. Indeed, big chemistry is one of the driving forces for the development of the regional economy. Successful development of the regional economy begins with the success of all companies and plants of the region. Today, over 3,000 people work at Shchekinoazot. And by 2024 the company will provide over 900 new jobs thanks to unveiling of new production facilities. A stable economy implies an increase in wages and quality of life overall, and which means the country moving to new level of development. Currently, Shchekinoazot is creating decent living conditions for thousands of Tula Region residents, employees and their families. The company's workforce productivity is on the rise. In 2019, productivity increased by 49 % compared to 2018. In the next 6 years (by 2024) we expect it to grow by 135 percent, which is several times higher than figures stated by the President in a decree signed on May 7, 2018. The company's objective is to become one of the country leaders in the production of methanol and chemical products, foster the region's economic growth and help in improving the well-being of people. I am sure this goal will be achieved thanks to the state support we receive."

There was one more crucially important event that took place during the meeting in the company's museum — OJSC Shchekinoazot, JSC Gazprombank and JSC Russian Export Center signed a memorandum of intent in the presence of Anton Siluanov and Alexei Dyumin. The parties identified key areas and forms of mutually beneficial cooperation related to the construction of an ammonia and urea plant (with a planned production capacity of

525,000 and 700,000 tons per year, respectively) in the settlement of Pervomaisky, Shchekino District. The document was signed by Boris Sokol, Alexei Belous and Andrey Slepnev.

Earlier, during the Russian Investment Forum in Sochi, a syndicated loan agreement was signed between VEB RF, Gazprombank and Shchekinoazot. As part of project financing, a project for the construction of the third stage of the methanol production facility at Shchekinoazot (with a capacity of 500,000 tons per year) in the Tula Region will be funded.

The project is worth 22 billion rubles.

Honored guests expressed satisfaction with the large-scale production development processes at Shchekinoazot, and gave recognition for the contribution to the development of the economy. They also toured the plant's facilities.

During his visit to Shchekinoazot, Anton Siluanov held a working meeting with heads of major export-oriented enterprises in the region. Shchekinoazot's management also attended that meeting.