



GROWTH IN NON-COMMODITY EXPORTS

In 2020, the petrochemical industry will be the key driver of non-commodity exports.



DMITRY KONOV

Chairman of SIBUR's Management Board

Consumer support is vital for the petrochemical industry

"It is not quite right to speak of the 'oil needle'. Oil is a major buttress of our economy and a launchpad for the petrochemical industry," thinks Dmitry Konov. The industry consumes over 10% of the global hydrocarbon output to produce synthetic materials. At the same time, it makes a sizeable contribution to the GDP through capital investments, creating a multiplier effect.

It also supplies materials to other industries. Antiseptics much sought-after today are a chemical product. Hence, in the current crisis it is vital to provide aid to both the industry and small and medium processors to ensure further growth. According to SIBUR's top executive, small consumers of petrochemicals often face workforce- and demand-related difficulties, and are overall "much more sensitive to the current market environment".

The situation varies across consuming industries. Healthcare and food sectors see growing demand, while in construction it has gone down by around 25%. "Support to the construction industry is among the government's current and mid-term priorities, but other sectors such as durable goods manufacturing are struggling to stay afloat, too. In particular, car and household appliance makers have experienced a sharp decline in demand, which is more discrete in nature and so will take more time and effort to rebound," says Dmitry Konov.



This year, major contributors to non-commodity exports will be petrochemicals and polymers, including those supplied by SIBUR's recently launched ZapSibNeftekhim in Tobolsk.

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Government aid will come as negative excise tax

SIBUR is confident the government caters for its needs. This May the petrochemical industry saw a milestone event as the draft law on the negative excise tax for liquefied petroleum gas and ethane linked to investments in production capacities was submitted to the government. Companies investing in new facilities deliver a multiplier effect for the national economy and are therefore eligible for government support. "This is actually an exchange of government aid for new investments," explains Dmitry Konov. "Petrochemical producers obtain financing for each tonne of low value-added materials processed into higher added-value ones when they spend a certain amount of money on new projects.

In this context, it is important to maintain a competitive environment," he adds. In fact, petrochemical facilities compete for customers in various industries, such as utilities, speaking about Russia. On foreign markets, they have rivals from similar regions with a commodity-oriented economy. Like elsewhere, the demand for petrochemicals varies depending on the product. "I don't think it would be right to support companies with inefficient legacy investments or the economics of individual products without investing in long-term demand, restructuring and new capex projects," notes Dmitry Konov.

"The Soviet economy serves as a good example. By the time the state ceased to exist, it had accumulated a record-high volume of construction in progress as the government had been unable to accomplish all the projects. If today's administration distributed huge funds between various industries, the projects would be likely to remain uncompleted."

For the video please follow the [link](https://www.youtube.com/watch?v=LIXXYIUd40w&feature=youtu.be) (https://www.youtube.com/watch?v=LIXXYIUd40w&feature=youtu.be)