



### AN ODUVANCHIK ADDITIVE

Oduvanchik, a manufacturer of fuel additives and petrochemicals from the Altai Territory, introduced Aplidium, a proprietary fuel additive, in 2020. Olga Shmakova, Head of Procurement at Oduvanchik, speaks about the product and how it was developed, as well as competing products and services in the market.

**– Olga, I think that many of our readers do not know why additives are made and what they are used for. Could you please tell us a bit about them?**

– Additives are chemical products added to materials to modify their properties. Additives are blended into gasoline and diesel, motor oil, fuel oil and other fuels and lubricants. Depending on their purpose, additives can increase or decrease fuel viscosity, act as a cleaning agent or reduce engine wear. Octane boosters – fuel additives used to combat engine knocking – are one of the largest markets for these products. It is impossible to make Euro 4 and Euro 5 compliant gasolines at refineries without fuel additives.



**OLGA SHMAKOVA**

Head of Procurement at Oduvanchik

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One of our businesses is specifically related to the selection of the best priced, quality materials for modifying fuels. It is quite a competitive segment with a wide choice of both domestic and foreign products. There are both premium and mass-market brands.

Until 2016, the most popular gasoline additive was monomethylaniline (MMA), with a market share of 70%–80% according to our estimates. MMA is a secondary aromatic amine. Modified fuel contains just 0.5%–1% of MMA, which is a good amount. MMA is priced lower than its competitors. However, the Government banned MMA due to environmental concerns. The substance is toxic and harmful to the environment. I am not going to argue for or against this regulation, but the decision was made, and consumers stopped using the additive. The transition to other types of fuel additives, mainly oxygenates, has already begun.



*The Oduvanchik company logo.*

**– Were you hit hard by the reform?**

– This is not about profit and loss. We offer our customers economically efficient and regulatory compliant solutions. We used to sell 2–3 thousand tonnes of MMA during our peak season. As the ban was about to come into effect, sales of MMA fell and the transition to oxygenates and other fuel additives began. We started selling other products instead of MMA, with trading becoming our core business in the segment. We simply switched to other products that offer the best for our customers. On top of this, we had already started to develop a proprietary fuel additive three years ago.

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ONE OF OUR BUSINESSES IS SPECIFICALLY RELATED TO THE SELECTION OF THE BEST PRICED, QUALITY MATERIALS FOR MODIFYING FUELS

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**– Did you not like the existing products?**

– Oxygenated additives contain oxygen, are priced higher and their volume fraction in gasoline is 10%–15%, which affects our customers' margins. We maintain an ongoing dialogue with our partners and understand their needs, in response to which Oduvanchik's laboratory has been developing a proprietary product for three years. We have run many tests and obtained the required certificates. Additional equipment has been installed at our production site in Barnaul. In summer 2020, we launched Aplidium, a proprietary fuel additive based on an MMA homologue. The new product is regulatory compliant, can be applied to modern gasoline grades and, most importantly, does not disrupt the economics of motor fuel production. By fully disassembling and inspecting internal combustion engines that have been running on gasoline blended with Aplidium, we have great proof of how well the additive works. In addition to its anti-knock performance, even a quick glance over the combustion chambers shows the safety and effectiveness of our product.



*Branded packaging for a new fuel additive.*

**– How is Aplidium performing on the market?**

– So far, the additive is produced in test batches of 300–400 tonnes each, which go to a refinery for pilot application. Some tests have already been completed, and customers are optimistic about the product. We are actively negotiating and are now at the pre-contract stage for commercial supplies to several major customers. Despite the crisis, we see customer demand and excitement. The laboratory has been actively working with our partners to tailor Aplidium technology to suit individual customer needs. It is difficult to predict future volumes, but following on from our work with domestic refineries, we are preparing to enter foreign markets as well. We are planning to create branded fuels using our additive.

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WE HAVE FORGED A DEEP PARTNERSHIP WITH SIBUR OVER THESE YEARS. WE ARE A FREQUENT PARTICIPANT IN CONFERENCES, WORKSHOPS AND OTHER EVENTS HELD BY SIBUR AND ACTIVELY USE ITS CUSTOMER SERVICE TOOLS

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**– Tell us about your cooperation with SIBUR.**

– We have been in partnership with SIBUR for over five years now, and have been selling SIBUR's MTBE for quite a long time (methyl tertiary butyl ether [MTBE] is an oxygenated octane booster used to raise the octane number of gasolines. It improves anti-knock performance and reduces carbon monoxide and hydrocarbon concentrations in exhaust fumes – Ed.). We purchase raw materials for our own production from the Company. SIBUR supplies us with aromatic hydrocarbons and we have forged a deep partnership with the Company over these years.

We are a frequent participant in conferences, workshops and other events held by SIBUR, and actively use its customer service tools, such as the electronic trading platform to make and track orders. It is so convenient! I would like to mention that SIBUR always actively responds to our offers and requests. Recently, we have tried different pricing formulas and experimented with volumes and time frames in the contracts. This level of customer care is hard to find in domestic petrochemical majors and we are pleased that SIBUR is progressing in this direction.



*Visualised workings of an internal combustion engine.*

#### **– Did the pandemic affect you?**

– Of course, there was a time in the spring when sales sank by 50%–60%, but we did not shut down for even a single day. We continued working remotely, implementing all necessary personnel protection measures at our production site. And in the summer the rebound was so powerful that we not only made up for the decline in the spring, but also showed growth. Of course, the current situation is also alarming, but we expect that the pandemic will soon recede, and we will be able to continue our development. We do not see this as the end of the world – we look at the market positively and are preparing for further growth.

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## **BACKGROUND**

Oduvanchik was established in 2008 in Barnaul. The main activity of the company is the manufacture and wholesale of fuel additives and petrochemicals. The company's consumers and customers are oil refineries and paint factories, fuel oil warehouses, large petrol station networks, and private manufacturers. Oduvanchik partners with more than 500 companies worldwide.