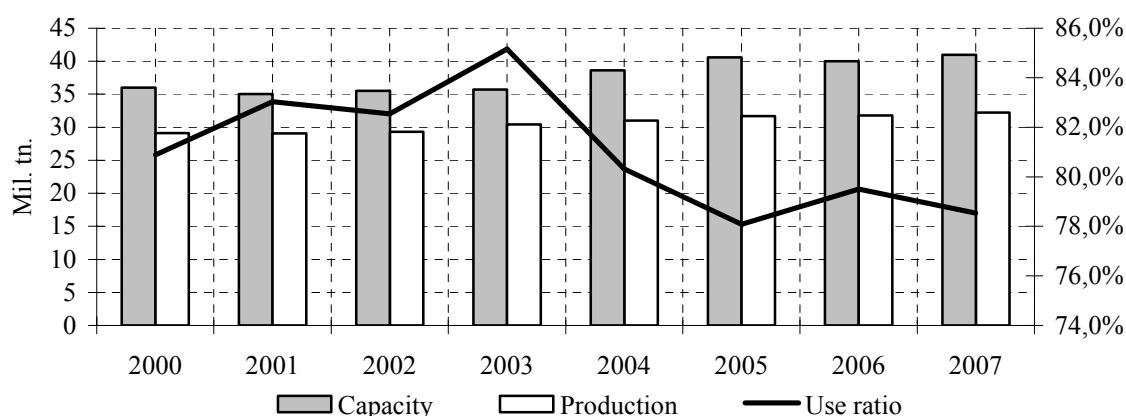


Sibmetakhim plans a methanol facility

Sibmetakhim, Gazprom's and Sibur's subsidiary, considers construction of a methanol factory on the Pacific coast. The plant is expected to produce 1 million tons of methanol per year and estimated to require \$500 million investments. When the project is finished, Russia's aggregate methanol production capacity will rise one-third.

Implementing this expensive project, Sibmetakhim should take into account international trends that illustrate a decline in the overall ratio of methanol production facilities use.

Capacities and ratio of production facilities use at methanol plants internationally



However, the plant location choice will likely minimize these risks. The new methanol facility will be supported by exports to Asian-Pacific countries, mostly to China who is the world's second largest methanol importer (preceded by the United States). China consumes around 5 million tons of methanol per year with growth rates projected to total 8% yearly.

Thus, the plant location selection is reasonable. In the event of a zero domestic demand (with Sakhalin offshore exploration, this is not likely) China would import the whole of the methanol produced. With minimum transport expenses, the price of Russian methanol may be very competitive.

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