

French Company to Make Gas in Nizhny

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October 07, 2010

The  Moscow Times

French industrial gas producer Air Liquide said Thursday that it planned to start construction of an air separation unit worth 60 million euros (\$84 million) in the Nizhny Novgorod region and that it would increase investments in Russia over the next five years.

The plant, whose opening is scheduled for 2012, will supply oxygen, nitrogen and dry compressed air to RusVinyl, a joint venture of Sibur and Belgian polyvinyl chloride producer SolVin, and will also supply liquid gases to other industrial customers in the region.

“The industry modernization in Russia is part of the modernization of the country,” Benoit Potier, chief executive and chairman of Air Liquide, told journalists. “I personally consider Russia as a very interesting market for us. The time for investment is good. ... We are investing for the long term in Russia.”

The plant will be located in the town of Kstovo, 30 kilometers southeast of Nizhny Novgorod, and will produce 350 tons of oxygen per day.

Potier said the company had invested a total of 150 million euros in Russia in the past five years and planned to invest another 150 million euros by the end of this year. He also said Air Liquide's total investment in Russia might reach 1 billion euros by the end of 2015.

Analysts said the company's ambitious plans were likely to be realized because Russia's industrial gas market has excellent potential for growth.

Russia's industrial gas market, which had moderate growth until 2009, is likely to grow by 15 percent to 20 percent this year, said Konstantin Yuminov, an oil and gas analyst at Rye, Man & Gor Securities. "The growth rates will be high over the coming five years, on the one hand, and it's the right time now to come to the market, because the market is young and the number of competitors is small," he said.

He said Air Liquide had a good chance of getting the bigger share of Russia's market compared with its rivals, Air Products and Linde Gas, because of its good customer portfolio and bigger investment volumes.

Yuminov said many industrial producers in segments like oil and gas, metals and chemicals plan to build additional facilities and to revamp old ones over the coming five years to remain competitive. "And this indicates that the growth rates of Russia's industrial gas market will be higher than the growth rates of the world market," he said.

Potier said signing a supply agreement with RusVinyl was "a very important new step" after the company's deal with Severstal. Air Liquide, which launched an air separation unit at Severstal's steel mill in Cherepovets in 2007, signed an agreement with the company earlier this year to build another similar unit at the plant.

The company's plant in Kstovo will deliver more than half of its gas to RusVinyl through a pipeline, and Air Liquide may build another pipeline if it finds more big customers in the Nizhny Novgorod region to "set up a sort of network of pipelines for five or six customers," Potier said.

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