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Mitsubishi Revives $1Bln Tatarstan Fertilizer Factory

By Derek Andersen

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Japan's Mitsubishi Heavy Industries said Thursday that it would build a $1 billion fertilizer plant in Tatarstan for a state-owned Russian company, reviving a deal that didn't take off two years ago.

Mitsubishi, Japan's Sojitz Corporation and China National Chemical Engineering Corporation plan to sign the contract for the project Saturday at the Asia-Pacific Economic Cooperation summit in Japan, Mitsubishi said in a statement.

The companies will build the plant — one of the largest of its type in the world — for Ammoni, a joint venture between a company called Regiongazfinans and the Tatarstan government, with 68.5 percent and 31.5 percent stakes, respectively, Mitsubishi said. Vneshekonombank, or VEB, has said it would provide loans to foot almost the entire costs of the construction.

"The fertilizer industry is prospering right now," said Alfa Bank analyst Georgy Ivanin.

The new facility, to be constructed in Mendeleyevsk, will produce ammonia and methanol, according to the statement on Mitsubishi's web site. Its projected capacity is 2,050 metric tons of ammonia, or 1,382 tons of ammonia and 668 tons of methanol, per day from natural gas. It has been estimated that production at the site will require 800 million cubic meters of gas per year.

A similar project was announced by Mitsubishi and Ammoni in 2008 when Mintimer Shamiyev, then-president of Tatarstan, laid the cornerstone for the new plant. The project did not proceed beyond that, however.

In May 2009, during a visit by Prime Minister Vladimir Putin to Japan, VEB chairman Vladimir Dmitriyev said in an interview with RIA-Novosti that the project was still active and that the bank would provide $870 million of a total cost of $972 million.

An Ammoni spokeswoman said company CEO Sergei Shevchenko was unavailable to comment on the deal because he had left for Japan to attend the APEC summit. Calls to VEB went unanswered Thursday evening.

Ivanin said prices for nitrogen-based fertilizers, including ammonia, had risen by 30 percent to 40 percent worldwide since the beginning of the year. Offsetting the effects of drought and economic recovery have been driving factors for those prices worldwide.

The situation is Russia is somewhat different, Ivanin said. One consequence of the drought in Russia is that 10 percent to 15 percent less land will be ready for sowing next year, which will reduce the demand for fertilizer, he said. Even so, fertilizer prices in Russia are expected to rise slightly faster than inflation, he added.

"Long-term prospects aren't bad for fertilizer, but short-term they're not so good," Ivanin said of the Russian market.

Given the condition of the Russian market, the plant is likely to concentrate on the foreign market, he added.

Mitsubishi stated that the new plant in Tatarstan will be the first new fertilizer production facility built in the country in the last 20 years. The plant will provide high value for Russia's natural gas resources, Mitsubishi commented in its announcement.

The new plant will use proprietary technology from the Danish Haldor Topsoe company for the concurrent production of ammonia and methanol. That technology is now installed only in one plant in Malaysia, according to Mitsubishi, which built that plant as well.

Sojitz will handle logistics for the construction of the Tatarstan plant.

One measure of the attractiveness of the fertilizer market is the desire of state corporation Russian Technologies to obtain a share in Murmansk-based fertilizer and phosphates producer Apatit. The state corporation is hoping to receive the 20 percent share in Apatit that is now planned for privatization, Vedomosti reported Thursday, citing an unidentified source. The Federal Property Management Agency owns more than 26 percent of that company.