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Gazprom Pipe Order Down After Procurement Peak

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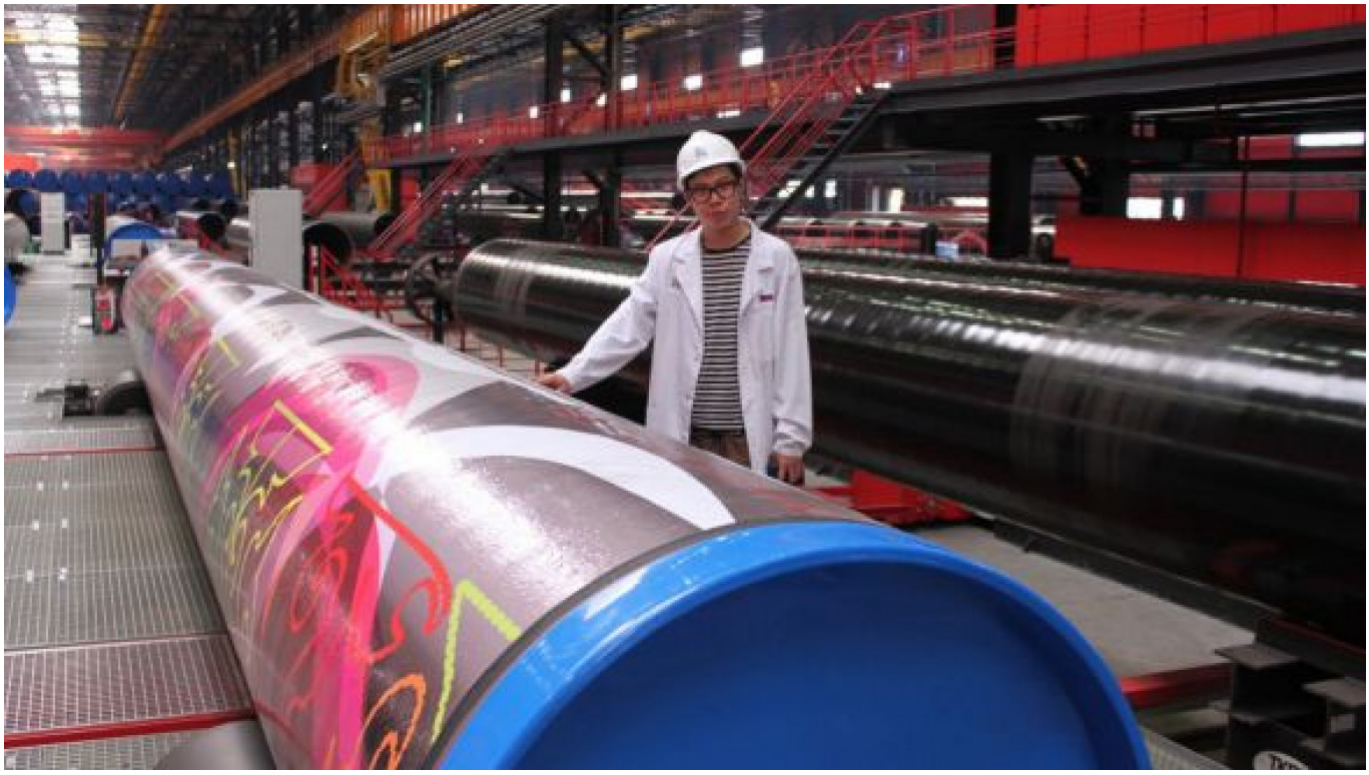

ChelPipe employees wear white coats in the high-tech plant where the company invested $660 million in 2010.

CHELYABINSK — Gazprom said Tuesday that its purchases of wide pipes will plunge this year and remain at a lower level for the next two years, as it completes its larger pipelines.

The reduced demand from one of the country's largest pipe buyers is a disappointment to some of the country's pipe plants that invested in new technology to position themselves as its suppliers of choice.

The world's biggest natural-gas producer reached a record last year, buying 2.2 million tons of big-diameter pipes, said Yaroslav Golko, chief of the company's investment and construction department.

"It was a peak year in 2011 in terms of pipe procurement," he said.

Purchases will decline 40 percent this year, he said in a meeting with the chiefs of the country's leading pipe plants. Demand from the company will hover at around 1.4 million tons in the following years.

Chelyabinsk Pipe Rolling Plant, known as ChelPipe, will make up for the slack by delivering elsewhere, said its chief Yaroslav Zhdan.

ChelPipe signed deals to deliver its products to petrochemicals company Sibur and for a pipeline project in Kazakhstan, he said.

Exports will grow at least 5 percent this year, he said.

Zhdan described Gazprom's investment plans as strong despite the global economic uncertainty.

Gazprom is going to need wide pipes to expand its Bovanenkovo-Ukhta pipeline in 2012-14, Golko said. The other projects that will require supplies of these pipes are Ukhta-Torzhok and expansion of the pipeline system in the south to accommodate deliveries via the future South Stream pipeline.

Gazprom could also launch construction of a pipeline from Sakha to Vladivostok and expansion of its Nord Stream pipeline toward the end of this timeframe or later.

ChelPipe invested 21 billion rubles ($660 million) in large-diameter pipe making equipment from Germany's SMS Meer that started operation in July 2010.

The other producers of large-diameter pipes include Severstal and United Metallurgical Company.

Gazprom bought 1.8 million tons of Russian pipes last year, out of the country's total output of 9 million tons, according to the Pipe Producers Association. It imported the rest.

The company doesn't plan to import this year.

ChelPipe is so proud of its new facility to make large pipes that the workers there wear snow-white robes to emphasize its high-tech nature. White is the color of overalls in the medical and microelectronics industries, the company said in a handout to reporters.

Golko and the rest of the Gazprom delegation walked around the facility where pipes, stacked on the floor and nearby railcars, all had blue caps on both sides that read Gazprom in Russian.

ChelPipe principal shareholder Andrei Komarov said Tuesday that the company expects the Cabinet to provide it with state guarantees in the fall. The measure will help refinance some of the pipemaker's debts.

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