



2011 Minerals Yearbook

BELARUS

THE MINERAL INDUSTRY OF BELARUS

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Belarus' mineral production enterprises included a potash mining company, three metallurgical plants, a nitrogen production enterprise, and two crude oil refineries. Belarus was the third ranked country among the world's potash producers following Canada and Russia. The country's only mineral production enterprise that played a major role in world markets was its potash mining firm OAO Belaruskali. Although Belarus does not have significant sources of fuel minerals on its territory, it had a number of energy infrastructure establishments (oil pipelines, gas pipelines, and two large oil refineries) that positioned the country as an important player in the export of oil and gas to Europe from Russia (Jasinski, 2012).

Minerals in the National Economy

In 2011, the country's real gross domestic product (GDP) increased by 5.5%, and the nominal GDP amounted to \$64.3 billion.¹ The industrial production of Belarus contributed 30.9% to the Republic's GDP, out of which the mineral sector accounted for 1.5%. The total value of industrial production increased by 9.1%. In 2011, the value of mineral industry output increased by 3.1% compared with that of 2010; the combined value of metallurgical production and products made out of metal increased by 5.5%, and the value of nonmetal mineral products increased by 0.6% compared with that of 2010 (National Bank of the Republic of Belarus, 2012; National Statistical Committee of the Republic of Belarus, 2012b, c).

In 2011, Belarus exported \$41.4 billion worth of goods and services and imported \$45.8 billion worth. The main export category was mineral products, which accounted for 35.5% of the total export revenue. Other important export categories were chemicals (21.0%), equipment and machinery (19.7%), agricultural products and food (9.5%), and metals (6.0%), among others. The major export partner of Belarus was Russia, which received 35.0% of all exports. It was followed by the Netherlands (14.8%), Ukraine (10.0%), Latvia (7.6%), Germany (4.4%), and Brazil (3.0%). The main import category was mineral products, which accounted for 41.7% of the total value of imports. It was followed by equipment and machinery (23.1%), chemicals (11.7%), metals (10.0%), and agricultural products and food (7.0%). The major import partner of Belarus was Russia, which supplied 54.5% of goods and services, by value. Other significant import partners were Germany (5.6%), China (4.8%), Poland (2.8%), and Venezuela (2.5%) (National Statistical Committee of the Republic of Belarus, 2012a).

Production

In 2011, production of refined petroleum increased by 24.4% to 20.47 million metric tons (Mt). The reason for the

¹Where necessary, values have been converted from Belarusian rubles (BYR) to U.S. dollars (US\$) at an annual average exchange rate of BYR4,623.47=US\$1.00 for 2011.

increase is that, in 2010, Belarusian oil refineries were unable to utilize their full capacities following the reduction of crude oil shipments from Russia. Despite the Government's efforts to replace crude oil imports from Russia with petroleum from Venezuela and Azerbaijan, the Naftan and Mozyr NPZ refineries ended 2010 with a 23.9% reduction in their combined production volume compared with the amount produced in 2009. In 2011, however, Belarusian refineries imported crude oil from Azerbaijan, Russia, and Venezuela, and were able to get close to the 2009 production level. Belarus increased production of all steel products except rolled steel—output of steel pipes increased by 14.7% to 210,100 metric tons (t); crude steel, by 4.0% to 2.78 Mt; and steel cord, by 1.3% to 92,900 t. The output of rolled steel was practically unchanged, decreasing slightly by 0.04%. Other minerals for which production increased included peat, the output of which increased by 22.0% to 3.16 Mt, and natural gas, by 4.4% to 222 million cubic meters. At the same time, production of lime decreased by 8.0% to 741,000 t and that of nitrogen decreased by 3.8% to 803,000 t (in ammonia content) (National Statistical Committee of the Republic of Belarus, 2012b). Other production data are in table 1.

Structure of the Mineral Industry

Most of the mineral industry enterprises were combined under the State Concern for Oil and Chemistry, known as Belneftekhim. Belneftekhim included Belaruskali, which was one of the leading potash producers in the world; OAO Grodno Azot, which specialized in the production of ammonia, nitrogenous fertilizers, and sulfuric acid; two oil refineries (OAO Naftan and OAO Mozyr NPZ), which together had a total annual throughput capacity of 22 Mt; and almost 50 other organizations. Belarus had adopted an industry privatization plan and created a list of enterprises that were subject to privatization. The list included only smaller production facilities, however, and excluded all of the country's enterprises of national significance (Romanchuk, 2011).

In 2011, the Government of Belarus encountered significant financial problems following its currency devaluation crisis and was actively looking for sources of funds. One possibility was to sell one of the flagship enterprises, such as Belaruskali, the Naftan and Mozyr NPZ refineries, Belarussian Metallurgical Plant (BMZ), or the Grodno Azot chemical plant. Another possibility was to use shares of some of those enterprises as collateral to obtain loans. During the course of 2012, it was reported that different business entities, both Government and private, were interested in purchasing Belaruskali, but in the end, no purchase agreement was made. The Government of Belarus publicly announced that it would not consider any offers lower than \$32 billion, which it considered to be fair market price at the time. As a result, no purchase deal was announced by the end of 2011. Instead, the Government of Belarus was able to secure several loans. In particular, it received a \$3 billion

loan from a Eurasian Economic Community (EvrAzEs), an organization of the subset of the Commonwealth of Independent States (CIS) countries; a \$1 billion loan from China; and a \$1 billion loan from Russia's Sberbank with collateral of 51% shares of the Naftan oil refinery (Lenta.ru, 2011a–c).

In 2011, the only enterprise that was sold to foreign investors was Beltransgaz, which operated gas pipelines on Belarusian territory that supplied natural gas to Europe and transported 20% of Russia's gas exports to Europe. In November, the Government agreed to sell 50% of Beltransgaz' shares to OAO Gazprom of Russia for \$2.5 billion. It should be noted that Belarus sold the other 50% of the shares to Gazprom in 2006, also for \$2.5 billion. As a part of the contract, Gazprom agreed to fully load the pipelines and to be responsible for maintenance and further development of the pipeline network. As a result of this agreement, Belarus negotiated natural gas prices for its own consumption that were well below what Gazprom would normally charge its other customers in 2012. Gazprom and the Government of Belarus agreed that, in 2012, Belarus would purchase 22.5 billion cubic meters of gas from Gazprom at a price of \$165.6 per thousand cubic meters. For comparison, the prices of gas that Belarus paid in 2011 were between \$310 and \$380 per thousand cubic meters, and the average price of natural gas charged by Gazprom to the countries of the European Union was about \$400 per thousand cubic meters. In 2011, Belarusian gas pipelines transported a total of 64.3 billion cubic meters, or 99.3% of the 2010 level (Auyezov, 2011; Belta.by, 2011; OAO Beltransgaz, 2012; Rambler.ru, 2012; Moyby.by, 2013).

Commodity Review

Industrial Minerals

Potash.—Belaruskali was one of the world's leading producers of potash fertilizers and had a 16% share of the world market. In 2011, the production of potash in Belarus increased to about 5.31 Mt, or by 1.6%. Potash was the leading export product from Belarus; 88.5% of potash produced in Belarus was exported. Belaruskali exported its products to more than 60 countries and employed 20,000 workers (OAO Belaruskali, 2012).

Belaruskali's Starobin potash deposit contains magnesium salt, rock salt, and sylvinit. Commercial levels of potash occur at depths of 400 to 1,200 meters (m) and deeper. The thickness of individual beds of potash varies from 4 to 20 m. Potash salts are located inside layers of rock salt. As of 2011, the company's total annual capacity was 8.8 million tons per year (Mt/yr), but Belaruskali was working on a significant expansion of operations in the next decade (OAO Belaruskali, 2012).

The Belaruskali development program for the Starobin deposit for the period 2006 through 2012 focused on development of the Krasnoslobodskiy Mine. The first production line of the Krasnoslobodskiy Mine was constructed in 2009, the second line was completed in December 2011, and the third line was under construction and scheduled for completion in December 2012. Other mines in early stages of exploration were the Beryozovskiy section of the deposit and the Darasinskiy Mine. The Beryozovskiy Mine's construction began in 2006, and the mine was expected to start producing ore in July 2012. It was expected that the mine would reach its full capacity

of 6 Mt/yr by 2015 and would continue production for 35 years. The Darasinskiy Mine (which was to be the seventh mine of the Starobin deposit) was expected to begin construction in 2013 and to be ready to start operations by 2019. The mine's resources were estimated to be 180 Mt of potash. It was expected that the projected capacity of 6 Mt/yr would be achieved within 3 to 4 years after the start of operations and that the mine production would continue for 45 years. Overall, Belaruskali expected to increase its total production capacity to 11 Mt/yr by 2015 (Minerjob.ru, 2011c, d; Belta.by, 2012; OAO Belaruskali, 2012).

In 2011, the Government held a tender for development of the Petrikovskoe deposit of potash salts, which is located in the Gomel region. Detailed resources of potash (in K₂O equivalent) were estimated to be 236 Mt. According to the results of the competition, Belaruskali was named the winner. It was expected that Belaruskali would find a foreign partner willing to invest in development of the new deposit. According to the tender rules, the winner had to make a one-time payment of \$146.5 million to use the resources of the deposit. Then the potential investor and Belaruskali would need to form an open stock company with the share of the Government set at least at 25%. The formed enterprise would receive rights to mine the deposit for 50 years, and would later have an option to extend the license. It was expected that Belaruskali and its future partner would build a mining and beneficiation complex with a capacity of between 1.5 and 3.5 Mt/yr. After the Petrikovskoe deposit starts producing, total annual production capacity of Belaruskali's operating mines could reach 14 Mt/yr of potash (Minerjob.ru, 2011a, b).

Outlook

Belarus is expected to continue to be a major supplier of potash to the world markets and to develop additional mines in the Starobin and Petrikovskoe deposits. Although in 2011 Belarus did not sell any of its flagship state enterprises, Belarus may well decide to sell some of them, such as Belaruskali, BMZ, Grodno Azot, and the Mozyr NPZ and Naftan refineries, in the future. If some of those facilities change ownership, the direction of enterprise development may be affected. As for the next 3 years, the Belarusian Government has secured for the country advantageous natural gas prices that will likely provide some stability for the country's overall economy. The future direction of Belarus' energy sector is likely to depend on political relations with Russia and on the country's ability to develop and maintain a reliable business network with countries outside of the CIS community.

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TABLE 1
BELARUS: PRODUCTION OF MINERAL COMMODITIES¹

(Thousand metric tons unless otherwise specified)

Commodity	2007	2008	2009	2010	2011	
METALS						
Steel:						
Crude	2,387	2,660	2,449	2,672	2,779	
Rolled	2,192	2,387	2,299	2,458	2,457	
Pipes	metric tons	147,900	145,000	107,400	183,200	210,100
Cord	do.	87,200	96,500	68,900	92,900	94,100
INDUSTRIAL MINERALS						
Cement	3,820	4,219	4,350	4,531	4,604	
Diamond, synthetic ^e	thousand carats	25,000	25,000	25,000	25,000	
Lime	925	900	787	805	741	
Nitrogen, N content of ammonia	metric tons	834,000	743,400	828,600	835,900	803,900
Potash, K ₂ O equivalent	4,972	4,968	2,485	5,223	5,306	
Salt ²	metric tons	1,665,350	1,476,000	1,695,100	1,700,000	1,700,000 ^e
Sulfuric acid	788	857	833	891	900 ^e	
MINERAL FUELS AND RELATED MATERIALS						
Natural gas	million cubic meters	201	203	205	213	222
Peat:						
Horticultural use	318	395	272	241	250 ^e	
Fuel use	2,502	2,361	2,216	2,352	2,914	
Total	2,820	2,756	2,488	2,593	3,164	
Petroleum:						
Crude	1,760	1,740	1,720	1,700	1,682	
Refined	21,349	21,305	21,634	16,455	20,474	

^eEstimated; estimated data are rounded to no more than three significant digits; may not add to totals shown. do. Ditto.

¹Table includes data available through January 4, 2013.

²Includes byproduct salt from potash production.

TABLE 2
 BELARUS: STRUCTURE OF THE MINERAL INDUSTRY IN 2011

(Metric tons)

Commodity	Major operating companies and major equity owners	Location of main facilities	Annual capacity ^e
Cement	OAo Krasnoselskstroyaterialy	Hrodzyenskaya Voblasts'	900,000
Do.	PRUP Krichevzementnoshifer	Mahlyowskaya Voblasts'	1,800,000
Do.	PRUP Belarusian Cement Plant (BCZ)	do.	1,100,000
Diamond	Gomel Production Association Kristall	Homyel'skaya Voblasts'	NA
Nitrogen	OAo Grodno Azot (Belneftekhim)	Hrodzyenskaya Voblasts'	950,000 ¹
Peat, fuel use	Production at 31 enterprises that produce mainly briquets	All regions of the country	5,000,000 ²
Petroleum:			
Crude	NGDU Rechitsaneft (Belneftekhim)	Rechitskoye, Ostashkovichskoye, Vishanskoye, Tishkovskoye, and Yuzhno-Ostashkovichskoye deposits, southeastern part of the country	2,000,000
Refined	OAo Mozyr NPZ (Government, 42.7%, and Slavneft, 42.5%)	Homyel'skaya Voblasts'	10,000,000 ³
Do.	OAo Naftan (Novopolotsk NPZ)	Vitsyebkaya Voblasts'	12,000,000 ³
Potash	OAo Belaruskali (Belneftekhim)	Starobin deposit, Minskaya Voblasts'	8,800,000 ⁴
Steel:			
Crude	Byelorussian Steel Works (BMZ) (Ministry of Industry)	Zhlobin, Homyel'skaya Voblasts'	2,600,000
Pipe	do.	do.	100,000
Rolled	do.	do.	2,300,000
Do.	OAo Mogilev Metallurgical Works [Byelorussian Steel Works (BMZ)]	Mahlyowskaya Voblasts'	120,000

^eEstimated; estimated data are rounded to no more than three significant digits. Do., do. Ditto. NA Not available.

¹N content of ammonia.

²Total peat for fuel use.

³Crude throughput.

⁴K₂O equivalent.