



# 2013 Minerals Yearbook

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## BELARUS

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# THE MINERAL INDUSTRY OF BELARUS

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Belarus' mineral production enterprises included a potash mining company, three metallurgical steel 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 (Jasinski, 2014). 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 transportation of oil and gas to Europe from Russia.

## Minerals in the National Economy

In 2013, the country's real gross domestic product (GDP) increased by 0.9% compared with that of 2012, and the nominal GDP amounted to \$71.7 billion.<sup>1</sup> The industrial production of Belarus contributed 27.2% to the Republic's GDP, out of which the mineral sector accounted for 1.6%. The total value of industrial production decreased by 4.3% compared with that of 2012. In 2013, the value of mineral industry output decreased by 0.3% compared with that of 2012; the combined value of metallurgical production and products made out of metal decreased by 6.1%, and the value of nonmetal mineral products increased by 3.9% (National Statistical Committee of the Republic of Belarus, 2014a, b).

The total value of foreign direct investment (FDI) in Belarus' economy in 2013 was \$11.1 billion, which was a 7.0% increase compared with FDI in 2012. The mineral sector received only 0.3% of the total FDI. Russia provided 48.6% of the total FDI and was the main source of foreign investment for the year (National Statistical Committee of the Republic of Belarus, 2014b).

In 2013, Belarus exported \$43.9 billion worth of goods and services, which was a 15.5% decrease compared with the total export revenue in 2012. Belarus also imported \$45.6 billion worth of goods and services, which was a 6.7% reduction compared with the amount of imports in 2012. The share of industrial products in the total export revenue was 49%, or \$21.5 billion. In 2013, Belarus exported 13.6 million metric tons (Mt) of refined petroleum products; 3.4 Mt of potash (in K<sub>2</sub>O equivalent); and 1.7 Mt of ferrous metals. The major export partner of Belarus was Russia, which received 45.2% of all exports, by value. It was followed by Ukraine (11.3%), the Netherlands (9.0%), Germany (4.7%), Lithuania (2.9%), the United Kingdom (2.8%), Italy (2.4%), Kazakhstan (2.3%), and Poland (2.1%). The main import categories were (in the order of decreasing value) mineral products, equipment and machinery, chemicals, metals, and agricultural products and food. The

major import partner of Belarus was Russia, which supplied 53.2% of goods and services, by value. Other significant import partners were Germany (7.1%), China (6.6%), Ukraine (4.8%), Poland (3.7%), and Italy (2.6%) (National Statistical Committee of the Republic of Belarus, 2014a, b).

## Production

In 2013, Belarus reduced production of all steel products—output of steel cord decreased by 18% to 71,800 metric tons (t); that of crude and rolled steel decreased by 17% each to 2.40 Mt and 2.16 Mt, respectively; and that of steel pipe decreased by 1.3% to 242,500 t. Peat production decreased by about 17% to 2.43 Mt; potash production decreased by 12% to 4.2 Mt in K<sub>2</sub>O equivalent; and sulfuric acid output decreased by 8.7% to 710,000 t. At the same time, production of salt increased by 20.6% to 2.63 Mt and that of natural gas, by 4.6% to 228 million cubic meters. Other production data are in table 1.

## Structure of the Mineral Industry

Most of the mineral industry enterprises were consolidated 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 23 Mt; and almost 50 other enterprises working in the petrochemical industry. Belarus had adopted an industry privatization plan and created a list of enterprises that could be privatized. The list included only smaller production facilities, however, and excluded all the country's enterprises of national significance in terms of contribution to Belarus's GDP (Romanchuk, 2011).

In 2012, Belarus started transforming the structure of its metallurgical industry. It created Belarusian Metallurgical Co. Holding, where OAO Byelorussian Steel Works (BMZ) became a managing company. In December, the Government announced that it was willing to consider selling its share in Mozyr NPZ to OAO Rosneft of Russia under the condition that the latter increase the volume of petroleum refined at the facility to 20 million metric tons per year (Mt/yr) by 2020 from 11 Mt in 2013. No further information was available concerning whether Rosneft was interested in this offer or not (Interfax.by, 2012b; Intex-press.by, 2013; OilNews.com.ua, 2013; Telegraf.by, 2013).

<sup>1</sup>Where necessary, values have been converted from Belarusian rubles (BYR) to U.S. dollars (US\$) at an annual average exchange rate of BYR8,875.83=US\$1.00 for 2013.

## Commodity Review

### Metals

**Iron and Steel.**—OAO Byelorussian Steel Works (BMZ) was the predominant producer of iron and steel in Belarus. In 2013, BMZ produced 2.2 Mt each of crude steel and rolled steel, 129,000 t of steel pipe, and 71,800 t of steel cord. Compared with 2012, production of crude steel and steel cord decreased, that of rolled steel remained practically unchanged, and that of steel pipe increased slightly (OAO BMZ, 2014).

By the end of 2013, BMZ completed two new investment projects at a total cost of \$23 million. Both projects were a part of the BMZ modernization program, the goals of which were to increase steel production at the plant to 3 Mt/yr and to increase production efficiency. The first project was the modernization of one of the BMZ's electric arc furnaces, which increased annual production capacity of the furnace to 1 Mt/yr and simultaneously reduced production costs by \$5.25 per ton of steel. The other two furnaces were renovated earlier. The second project was the installation of a new sleeve-type filtration system that would help reduce the amount of fuel needed to run the furnace, reduce the emissions of fine particles into the atmosphere, and increase the energy efficiency of the production process (Belta.by, 2014).

Other companies producing steel in Belarus were OJSC Rechitsa Metizny plant and OAO Mogilev Metallurgical Works. Also, Minsk Motor Works (MMZ), which was the only producer of diesel engines in Belarus, started construction of a new plant that would produce cast iron. The total cost of the project was expected to be \$175 million, including \$47.6 million for the cost of construction. After completion of the first stage of the project in 2014, the capacity of the new plant was expected to be 18,000 metric tons per year of cast iron (Interfax.by, 2012a).

### Industrial Minerals

**Cement.**—In 2013, Belarusian cement plants produced about 5.06 Mt of cement, which was a 3.07% increase compared with the 2012 production level. Belarus had three main cement producers with a total (combined) capacity of 7.4 Mt—OAO Belarusian Cement Plant (BCZ), which was also known as the Kostyukovich cement plant, OAO Krasnoselskstroyaterialy, which was also known as the Volkowysk cement plant, and OAO Krichevtsmentnoshifer (Ernst & Young, 2013).

The Government had made the decision in 2007 to nearly double the country's cement production capacity by building a new 1-Mt/yr-capacity production line at each of the country's three cement plants. The new lines would be designed to use dry cement production technology that had not been used before in Belarus. In addition, a decision was made to switch the existing production lines from natural gas to coal as the primary energy source, which would reduce production costs and, ultimately, the cost of cement. The construction of all three new production lines was delayed, however, reportedly because of quality and technological issues with the equipment being installed. The first line (at Krasnoselsk) came online in April 2012, the second line (at BCZ) became operational in July 2012, and the third line

(at Krichev) was commissioned in August 2013. By 2013, some plants had expanded capacity beyond the Government's initial plan (Tut.by, 2013).

Belarus was planning to produce a total of 9.5 Mt of cement by 2015, of which 5.2 Mt would be sold domestically and 4.3 Mt would be exported. In 2013, however, all three cement plants were operating at a loss. Reportedly, the cement production costs in Belarus were higher than those in Russia and, to compete with the Russian cement plants, the Belarusian plants had to sell their cement to Russia at cost. In addition, total investments in the new production lines were estimated to be \$1.2 billion, and it was not clear when the plants would be able to pay off their loans (Analitika.kz, 2013; Ivashkevich, 2013; Krylovich, 2013; Lavnikovich, 2013).

The Government was working on three strategies to help the cement plants improve their balance sheets. The first strategy was to use local energy sources such as recycled automobile tires instead of costly imported natural gas and coal. The second strategy was to use cement to domestically produce construction materials with higher value added and to export the final products instead of the raw materials. Such products could include dry construction mixes, artificial stones, and other products used in construction. The third strategy was to have the cement plants try to expand their demand base and export cement to other countries, in particular to members of the European Union, where domestic cement prices were higher (Interfax.by, 2013; Newslan.com, 2014).

**Potash.**—OAO Belaruskali was one of the world's leading producers of potash fertilizers, and historically, potash was the leading export product from Belarus. The company was mining the Starobin potash deposit, which contains magnesium salt, rock salt, and sylvinite. In 2013, Belaruskali was planning to increase production by between 10% and 13% from the 2012 production level (OAO Belaruskali, 2014).

During 2012, Belaruskali and its Russian counterpart, OAO Uralkali, were discussing the creation of a joint trading company, Soyuzkali. Before 2012, ZAO Byelorusskaya Kaliynaya Kompaniya (BKK) had been the primary trader of Belarusian and Russian potash fertilizers on the international market, and it held a 43% share of world potash exports. Soyuzkali would be registered in Switzerland, and Uralkali and Belaruskali would each have a 50% share in the new company. Both parties saw potential benefits from rebranding and changing the image of the BKK, primarily because the new company would have access to less expensive loans. Also, it was expected that the new trading company would take on the additional functions of trading nitrogen and phosphorus fertilizers. Soyuzkali was registered in the beginning of 2013 and was expected to start trading by the middle of the year (Mineral.ru, 2013c).

In the first quarter of 2013, the company increased the tonnage of its potash exports by 21.2% compared with the same period of 2012, but the export revenue was practically unchanged, increasing by only 0.2%. Nevertheless, Belaruskali expected to increase the physical volume of sales by about 10% by the end of the year. In July, however, the Russian partner, Uralkali, announced that it was unilaterally stopping sales through BKK and stated that, from that point on, it would

follow an internal corporate strategy summarized in the motto “volumes are above prices.” The announcement reduced the share prices of all potash companies in the world market and caused great uncertainty on the potassium fertilizer market. To reduce losses, Belaruskali reduced its production in August by 50% and, in September, the Government reduced the tariffs imposed on potash exports for the period from September 1, 2013, to December 31, 2013. Although the incident led to a reduction of world prices for all mineral fertilizers, Belaruskali gradually recovered from the crisis. By December, all four of Belaruskali’s mines were again operational (Mineral.ru, 2013c; Petlevoy, 2013).

Nevertheless, the events of late July inflicted serious damage on Belarusian potash producers. The Finance Ministry estimated that the total cost of the incident to Belarus from the reduction of the potash export revenue to be about \$700 million. In 2013, Belaruskali reduced its export revenue to \$2,063 billion, or by 22.2% compared with the revenue received in 2012; the reduction was mostly owing to the reduction in price, and to some extent from the reduction in physical production volume. In 2013, Belaruskali’s output was reduced to 4.243 Mt, or by 12.2% compared with that in 2012. By yearend, the situation in the world potash industry was stabilizing, and the Government reinstated the export tariffs on potash from the beginning of 2014 (Mineral.ru, 2013a, b; Iprime.ru, 2014; Brestskaya Gazeta, 2014).

## Outlook

Belarus is expected to continue to be a major supplier of potash to world markets and it is also likely to become a regional exporter of cement. It is also possible that it will start positioning itself as a regional producer and exporter of a broad range of construction materials.

Although Belarus did not sell any of its flagship state enterprises in 2013, it could still decide to sell some of them, such as Belaruskali, BMZ, Grodno Azot, and the Mozyr NPZ and Naftan refineries, depending on the country’s financial situation. If some of these facilities are privatized, the direction of enterprise development may be affected. The future of Belarus’ economy in general and the mineral sector in particular 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 Commonwealth of Independent States community.

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TABLE 1  
BELARUS: PRODUCTION OF MINERAL COMMODITIES<sup>1</sup>

(Thousand metric tons unless otherwise specified)

| Commodity <sup>2</sup>                     | 2009             | 2010                   | 2011                   | 2012                   | 2013      |
|--|------------------|------------------------|------------------------|------------------------|-----------|
| <b>METALS</b>                              |                  |                        |                        |                        |           |
| <b>Steel:</b>                              |                  |                        |                        |                        |           |
| Crude                                      | 2,449            | 2,672                  | 2,779                  | 2,869                  | 2,395     |
| Rolled                                     | 2,299            | 2,458                  | 2,457                  | 2,599 <sup>r</sup>     | 2,159     |
| Pipes metric tons                          | 107,400          | 183,700 <sup>r</sup>   | 224,500 <sup>r</sup>   | 245,700 <sup>r</sup>   | 242,500   |
| Cord do.                                   | 68,900           | 92,900                 | 94,100                 | 87,900                 | 71,800    |
| <b>INDUSTRIAL MINERALS</b>                 |                  |                        |                        |                        |           |
| Cement                                     | 4,350            | 4,531                  | 4,604                  | 4,906                  | 5,057     |
| Gypsum                                     | 69               | 68                     | 66                     | 69                     | 71        |
| Lime                                       | 788 <sup>r</sup> | 804 <sup>r</sup>       | 794 <sup>r</sup>       | 747 <sup>r</sup>       | 748       |
| Nitrogen, N content of ammonia metric tons | 828,600          | 890,900 <sup>r</sup>   | 927,300 <sup>r</sup>   | 949,600 <sup>r</sup>   | 967,400   |
| Potash, K <sub>2</sub> O equivalent        | 2,485            | 5,223                  | 5,306                  | 4,840                  | 4,243     |
| Salt <sup>3</sup> metric tons              | 1,695,100        | 2,411,600 <sup>r</sup> | 2,576,300 <sup>r</sup> | 2,176,600 <sup>r</sup> | 2,625,300 |
| Sulfuric acid                              | 833              | 891                    | 900 <sup>e</sup>       | 777 <sup>r</sup>       | 710       |
| <b>MINERAL FUELS AND RELATED MATERIALS</b> |                  |                        |                        |                        |           |
| Natural gas million cubic meters           | 205              | 213                    | 222                    | 218                    | 228       |
| <b>Peat:</b>                               |                  |                        |                        |                        |           |
| Horticultural use                          | 272              | 241                    | 422                    | 267 <sup>r</sup>       | 164       |
| Fuel use                                   | 2,216            | 2,352                  | 2,704 <sup>r</sup>     | 2,679                  | 2,269     |
| Total                                      | 2,488            | 2,593                  | 3,126 <sup>r</sup>     | 2,946 <sup>r</sup>     | 2,433     |
| <b>Petroleum:</b>                          |                  |                        |                        |                        |           |
| <b>Crude:</b>                              |                  |                        |                        |                        |           |
| In gravimetric units                       | 1,720            | 1,700                  | 1,682                  | 1,660                  | 1,645     |
| In volumetric units 42-gallon barrels      | 12,600           | 12,500                 | 12,400                 | 12,200                 | 12,100    |
| <b>Refined:</b>                            |                  |                        |                        |                        |           |
| In gravimetric units                       | 21,634           | 16,455                 | 20,474                 | 21,668                 | 21,156    |
| In volumetric units 42-gallon barrels      | 173,100          | 131,600                | 163,800                | 173,300                | 169,200   |

<sup>e</sup>Estimated; estimated data are rounded to no more than three significant digits; may not add to totals shown. <sup>r</sup>Revised. do. Ditto.

<sup>1</sup>Table includes data available through July 24, 2014.

<sup>2</sup>In addition to the commodities listed, Belarus had also produced dolomite and synthetic diamond, but available information is inadequate to make reliable estimates of output.

<sup>3</sup>Includes byproduct salt from potash production.

TABLE 2  
BELARUS: STRUCTURE OF THE MINERAL INDUSTRY IN 2013

(Metric tons)

| Commodity                           | Major operating companies<br>and major equity owners   | Location of main facilities  | Annual<br>capacity <sup>e</sup> |
|-------------------------------------|--|--|---------------------------------|
| Cement                              | OAO Krasnoselskstroyaterialy   | Hrodzyenskaya Voblasts'  | 2,700,000                       |
| Do.                                 | OAO Krichevtsementnoshifer   | Mahilyowskaya Voblasts'  | 1,800,000                       |
| Do.                                 | OAO Belarusian Cement Plant (BCZ)  | do.  | 2,900,000                       |
| Diamond                             | Gomel Production Association Kristall  | Homyel'skaya Voblasts'   | NA                              |
| Nitrogen                            | OAO Grodno Azot (Belneftekhim)   | Hrodzyenskaya Voblasts'  | 950,000 <sup>1</sup>            |
| Peat, fuel use                      | Production at 31 enterprises that produce<br>mainly briquets   | All regions of the country   | 5,000,000 <sup>2</sup>          |
| Petroleum:                          |  |  |                                 |
| Crude                               | NGDU Rechitsaneft<br>(Belneftekhim)  | Rechitskoye, Ostashkovichskoye, Vishanskoye,<br>Tishkovskoye, and Yuzhno-Ostashkovichskoye<br>deposits, southeastern part of the country | 2,000,000                       |
| Refined                             | OAO Mozyr NPZ<br>(Government, 42.7%, and<br>Slavneft, 42.5%)   | Homyel'skaya Voblasts'   | 10,000,000 <sup>3</sup>         |
| Do.                                 | OAO Naftan (Novopolotsk NPZ)   | Vitsyebkaya Voblasts'  | 12,000,000 <sup>3</sup>         |
| Potash, K <sub>2</sub> O equivalent | OAO Belaruskali (Belneftekhim)   | Starobin deposit, Minskaya Voblasts'   | 6,300,000                       |
| Steel:                              |  |  |                                 |
| Crude                               | OAO Byelorussian Steel Works (BMZ)<br>(Belarusian Metallurgical Co. Holding,<br>Government of Belarus, 100%) | Zhlobin, Homyel'skaya Voblasts'  | 2,700,000                       |
| Pipe                                | do.  | do.  | 125,000                         |
| Rolled                              | do.  | do.  | 2,300,000                       |
| Do.                                 | OAO Mogilev Metallurgical Works<br>[OAO Byelorussian Steel Works (BMZ)]                                      | Mahilyowskaya Voblasts'  | 120,000                         |
| Do.                                 | OJSC Rechitsa Metizny Plant<br>(Belarusian Metallurgical Co. Holding,<br>Government of Belarus, 100%)        | Homyel'skaya Voblasts'   | NA                              |

<sup>e</sup>Estimated; estimated data are rounded to no more than three significant digits. Do., do. Ditto. NA Not available.

<sup>1</sup>N content of ammonia.

<sup>2</sup>Total peat for fuel use.

<sup>3</sup>Crude throughput.