

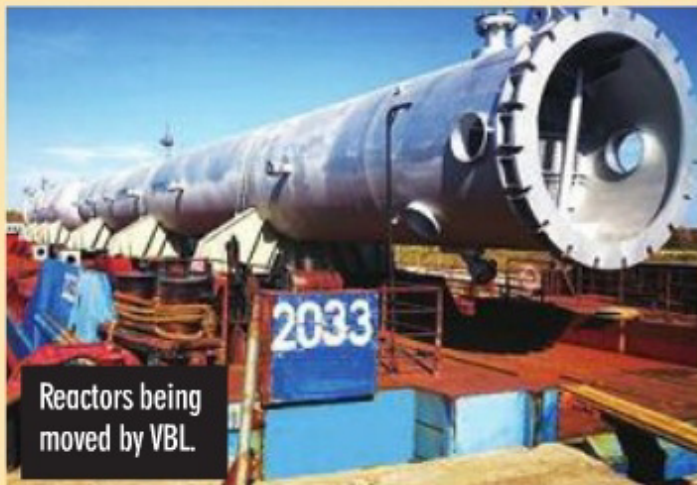
VBL signs up for waterway transport of major projects

The Russian Federation is the world's largest country by area, and its network of rivers and canals is key when moving oversize cargoes across the territory.

Volgo-Baltic Logistic (VBL), the logistics arm of North Western Shipping Company, specialises in coordinating complex project moves, making the most of its parent company's fleet of barges and sea-river vessels, as well as chartered tonnage.

Egor Kostylev, project manager at VBL, said the political situation has had a detrimental impact on the number of projects, but heavy cargoes are still moving on the waterway network.

Denis Kropotkin, chartering manager at VBL, added: "It is not objective to just focus on the quantity of shipments. It is important to focus on



quality and complexity. It is more profitable and complicated to handle one large project than to handle two or three small ones."

In the upcoming shipping season, Kropotkin said VBL has been tasked with two major projects.

"The equipment is coming from China via European ports, and one unit will go from China directly to the Ob river to Sabetta – from there we will take care of transshipment and delivery by barges to the port of destination," he stated.

One topic that was highlighted by a number of logistics companies interviewed was the low water level across the waterway network in 2015.

Kropotkin said a lack of rainfall contributed to the problem, while Kostylev believes vital dredging equipment needed to keep the channels flowing was busy on other projects, exacerbating the issue. However, he added: "We will use barges to move cargoes – and the water level is not so important for the barges because we need 2 m maximum depth. It is hard to imagine the water level will be lower."



Keen-Mark seen transporting abnormal beams measuring 105 m x 2.5 m x 6.3 m (285 tonnes). A total of 38 Scheuerle SPMT axles were used for transport, 12 auxiliary axles for loading, three power units, two 400-tonne capacity turntables, and a hydraulic gantry system.

as ZPMC-Red Box and BigRoll, have been busy moving enormous modules for the development. Heavy lift and transportation specialist Mammoet Rus secured a transportation contract related to the project, said Yuriy Popov, the company's general director. "It is a steady job for the next three years with a lot of work."

The first LNG train is scheduled to come online at the end of 2017 and in preparation, "Mammoet Rus is doubling the number of axle lines it has in the region", he added.

When fully operational, 80 percent of the 16.5 million tonnes per year of LNG produced at Yamal will be delivered to the Asia-Pacific region. LNG has vast potential for the Russian energy sector as three more LNG projects are at the front-end engineering design stage of development.

"LNG prices are going down and with three projects opening this year and next [Yamal plus two in Australia], there will be more available on the market, so it will affect pricing. But at the moment, three further projects are being heavily studied," observed Popov.

Economic handbrake

The weakened ruble may have made oil and gas production more cost efficient, but major projects across the sector are being deferred – the Russian oil and gas sector is a shadow of what it was ten years ago.

Oleg Prokoshev, deputy director, business development and marketing at Mortrans, said that in the "golden years" between 2004-2008, when oil prices were

high there were "widespread foreign investments into Russia" and "many opportunities to move oversize cargo".

Today, foreign direct investment into Russia is minimal and the main oil and gas projects are financed by state-owned entities. "It is now much more difficult for private companies to secure work in the sector," said Prokoshev.

One of the sanctions implemented by the West prohibits the export of certain types of drilling equipment to the Russian Federation – a ploy to stifle energy projects located offshore and in remote Arctic regions. A number of project forwarders said these sanctions have had a limited effect as the low oil price has made it uneconomical to drill in these locations.

However, sanctions that prohibit Russian businesses from raising finance on Western markets have had a massive impact on the future project pipeline – the knock-on effect on the logistics sector has been considerable.

Denis Kovalenko, head of the sales department at specialised transport provider Keen-Mark, said an inability to raise finance has contributed to the sector's woes. "The

problem is mostly caused by closed credit from the European Union and the USA with sanctions. This, coupled with the economy in Russia, geopolitical challenges and tough competition between transport and logistics companies makes it extremely difficult to be profitable."

Andrey Samoylov, general manager of forwarder Aquamarine Trans, said its project cargo activity was down 90 percent year-on-year in 2015, due partly to the fact that "our customers cannot get attractive credit".

Popov highlighted that, "projects that were planned and signed in 2014/2015 have been started, equipment has been ordered, and it is not viable to stop". This year and next will be busy for Mammoet Rus as a result of ongoing contracts, but he looks ahead to 2018/19 with caution. "A number of projects have been put on hold by the big oil companies in Russia."

Ultimately, the project logistics market has become tighter, which has resulted in greater competition and downward pressure on rates. Egor Kostylev, project manager at Volgo-Baltic Logistic – the logistics arm of North Western Shipping Company – said, "there are only a few projects on the heavy lift market but a lot of companies want to participate", often resulting in "unreasonable price dumping", and in some severe cases, failure to deliver cargoes.

However, with a huge domestic market, vast mineral reserves, plus a weak currency that is facilitating exports and boosting domestic manufacturing, it is certainly not all doom and gloom for the project logistics market.

Mammoet Rus is doubling the number of axle lines it has in the region [for the Yamal LNG project in Siberia].

— Yuriy Popov, Mammoet Rus