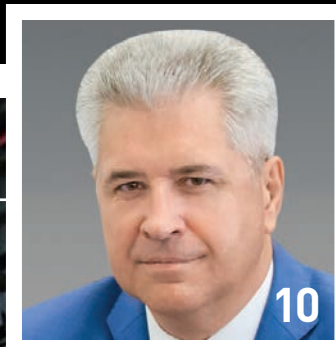


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09•2015  
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**Sergey Chetverikov:**  
**Delivery of energy**  
**resources is always**  
**high on the agenda**

## Potential of Large-Diameter Pipe





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# 2 (21)

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Certificate of publication  
No. FS77-40128 of June 11, 2010.  
The edition is registered with  
the Federal Service for Supervision  
in the Sphere of Communications,  
Information Technology and Mass  
Communications.

Any use of the materials without  
the editor's consent is prohibited.

Print run is 3,900 copies.  
Printed on recycled paper.

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## »» NEW PRESIDENT FOR RUSSIAN STEEL

Dmitry Pumpyanskiy, Chairman of the TMK Board of Directors, was elected president of the Russian Steel Nonprofit Partnership at its regular annual meeting on June 5.

Yury Mishin, PhD, of the Oskolsk Electrometallurgical Plant was elected vice-president and chair of the steering committee. The supervisory board is now led by

Alexey Mordashov, chair of the Severstal board of directors.

Russian Steel is an association of the largest manufacturers of metallurgical goods in Russia. The partnership was founded in 2001 to coordinate efforts to protect the interests of Russian metallurgists and carry out joint projects of a non-commercial nature. ■

## »» "GREEN CERTIFICATE" AT A DISCOUNT

TMK-ARTROM and TMK-RESITA are the first of 14 Romanian companies to become eligible for "green certificates" at a discounted price. As of January 1, 2015, the cost of energy from renewable resources purchased with a "green certificate" was reduced by 60% for TMK-ARTROM and by 85% for TMK-RESITA. The anticipated savings on electric bills is estimated at about 1.5M euros annually. ■

## »» TMK IPSCO RECOGNIZED AS BEST TUBULARS MANUFACTURER

At the sixth annual Awards for Steel Excellence, TMK IPSCO came away the winner in the category "Best Tubulars Manufacturer."

The award was based on the results of a competition conducted by American Metal Market (AMM), a respected research journal of the U.S. steel industry.

Winners received their awards on June 9, 2015 in New York. Prizes were awarded in 15 categories to companies that had demonstrated notable success in development and innovation in the metallurgical industry. ■



## »» EUROPEAN QUALITY

At Volzhsky and TAGMET, the international certification company TÜV NORD has conducted a witness audit to ensure that goods are meeting the requirements of European standards. TAGMET successfully passed the welded pipe quality control audit, while VTZ proved it is able to manufacture welded and hot-rolled tubes according to DIN EN 10210-1, DIN EN 10216-1, DIN EN 10216-2, DIN EN 10216-5 and DIN EN 10219-1 and also that its products meet the safety requirements of European Directive 97/23/EC PED – "Pressure Equipment" and EU CPR Regulation 305/2011 "Construction Materials." Safety certificates are mandatory when exporting pipe to Europe for the construction industry and when exporting pipe for subsequent fabrication of pressurized equipment. ■







## »» FOR CUSTOMERS IN ASIA

TMK took part in the Asian Oil, Gas & Petrochemical Engineering Exhibition 2015, which was held in early June in Kuala Lumpur, Malaysia. The exhibition is the largest industry event in Asia, and is supported by the Malaysian prime minister and the nation's biggest companies. The latest technologies

and equipment are presented at this exhibition.

At the TMK booth, experts from the TMK representative office in Singapore held meetings and conducted discussions to develop partnerships with regional consumers of tubular goods. ■

## »» TMK IPSCO TELLS OF ITS INNOVATIONS

Kent Li, TMK IPSCO Seamless Rolling Expert, gave a presentation at the AISTech 2015 (Association of Iron and Steel Technology) international metallurgical conference held in Cleveland, Ohio. The conference was dedicated to advancing engineering solutions in the manufacturing, processing and use of steel in industry.

In his presentation, Li discussed new opportunities for expanding the coupling stock product mix produced by TMK IPSCO, which will enable it to meet market demand without having to purchase these products from outside parties. ■

## »» CR13 FOR ROSPAN INTERNATIONAL

TMK has manufactured and shipped high-tech premium pipe made from Cr13 steel to Rospan International, a subsidiary of the Rosneft oil company and the operator of the East Urengoy and Novy Urengoy gas condensate fields in the Yamalo-Nenets Autonomous Okrug. These products were manufactured with the cooperation of Sinarsky Pipe Plant and Volzhsky Pipe Plant. ■



## »» LUKOIL AT SEVERSKY TUBE WORKS

LUKOIL technical experts visited Seversky Tube Works to see the results of its comprehensive plant renovations. Guests visited the meltshop and pipe mill, the meltshop's express laboratories and the laboratories of the welded pipe-testing group. At Pipe Mill 1 the LUKOIL representatives watched a demonstration of advanced rolling technology.

At a partners' meeting, Alexander Medvedev, Director of the Russia/CIS Technical Sales Directorate, gave a presentation on new kinds of TMK tubular goods, including goods for northern fields. STW Managing Director Mikhail Zuev talked about metallurgical and machine-building advancements at the heart of the STW renovations. ■

## » ALL ACCORDING TO PLAN

TAGMET has completed a scheduled overhaul of equipment.

In the pipe mill, equipment parts were replaced on two furnaces, a sizing mill, a straightener, a refrigeration unit and an inspection line; the lining of one of the furnaces was also replaced. At the welding mill, repairs were made to the strip-reheating furnace, including a new additional thermal block, which will make it possible to go longer between repairs. Comprehensive repairs, maintenance adjustments and fine-tuning were also performed in each area. ■



## » DECISIONS BY SHAREHOLDERS

At the annual general meeting of TMK, shareholders approved the annual report, the 2014 fiscal year-end accounting reports and other key company documents for the upcoming year, including a new version of the articles of incorporation, which changes the company's form of incorporation in accordance with current Russian Federation law, from Open Joint-Stock Company to Public Joint-Stock

Company. It was also decided not to pay out dividends for the 2014 fiscal year.

The following were elected to the Board of Directors: Mikhail Alekseev, Andrey Kaplunov, Peter O'Brien, Sergey Papin, Dmitry Pumpyskiy, Robert Foresman, Igor Khmelevsky, Anatoly Chubais, Alexander Shiryayev, Alexander Shokhin and Oleg Shchegolev. ■

## » TMK AND ROSNEFT AGREE TO PARTNER

As part of the Saint Petersburg International Economic Forum, TMK and Rosneft have signed a partnership agreement for petroleum product supply. The agreement envisions joint scientific research activities to develop and manufacture high-tech lubricants. It proposes performing a joint technical audit of equipment to ensure the best use of lubricants and the production of the new line of petroleum products. ■



## » QUALITY UNDER CONTROL

TMK-ARTROM held a company training workshop on the ISO 9001:2015 quality management standard in mid-April. Dan Stefanescu, director of strategy and development at QUASARO SRL and senior consultant at the Kaizen Institute, told QC experts from 18 enterprises in the Russian, American and European divisions of TMK about the new ISO 9001:2015 requirements, which are expected to be approved in September 2015. He also talked about the effect of those requirements on the functioning of the quality management systems already implemented across the company. ■







## » TMK-ARTROM SUPPORTS THE OPENING OF A CENTER

In May, a representative office of Rossotrudnichestvo – the Russian Center for Science and Culture – opened its doors in the Romanian capital of Bucharest. The intergovernmental agreement on the opening of the center was signed with the active support of Russian companies operating in Romania, including TMK-ARTROM.

TMK-ARTROM supports Russia's cultural projects in Romania. Recently, thanks to the company's sponsorship, the publication "Power of Memory" was produced for the 70th anniversary of victory in World War II. "The opening of this center is an important historic event and takes the cultural and humanitarian relations of our two nations to a fundamentally different level. We are happy to have played an active role in this," commented Adrian Popescu, Head of the TMK European Division. ■



## » A RELEVANT CONVERSATION

TMK took part in the Russian national conference titled "Steel Pipe: Manufacturing and Regional Sales." The event was organized by the information and publishing service Metal Supply and Sales with the support of the Russian Union of Metal Goods Suppliers.

TMK was represented at the event by Igor Pyshmintsev, general director of RosNITI; Roman Grokh, assistant head of the TMK Marketing Department and Alexander Kuznetsov, sales director of TMK's Taganrog division. ■



## » COMPANY DESCRIBES TRENDS

TMK took part in the international industry conference titled "Russian Metals Market 2015: Market Conditions and Forecasts," which was held in late May in Moscow. Key topics at the conference included new global market challenges and development trends as well as forecasts for steel-consuming industries in Russia. During the session "Russia in the International Market for Iron and Steel Products," TMK Director of Marketing Sergey Alekseev gave a presentation on trends in the global and Russian pipe markets. ■

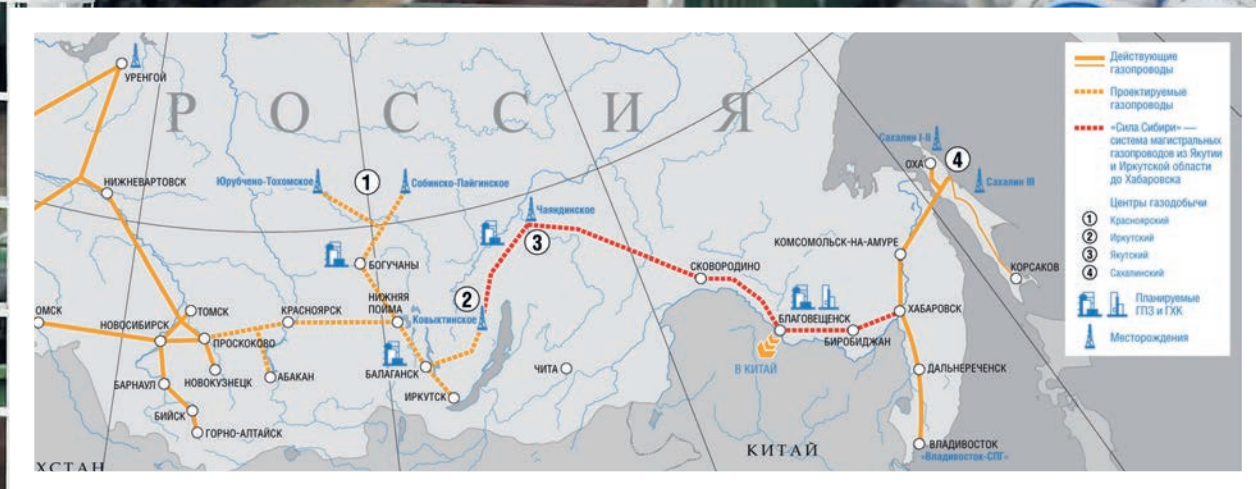
## » FUNDS WILL GO TO SCIENCE

TMK made a major financial contribution to the endowment fund of the MISiS National University of Science and Technology. These funds will support the scientific work of the Pipe Manufacturing Equipment and Technology department.

TMK and MISiS have been partners for many years. The company is a contributor to the university's endowment fund, taking part in developing educational, scholarship and infrastructure projects. In 2013, TMK founded a scholarship named after A.D. Deineko, which is awarded for success in academic and scientific activities in metallurgy. ■



# TMK AND POWER OF SIBERIA



TMK joined the ranks of tubular good suppliers for the Power of Siberia project based on the outcome of a Gazprom tender held in March 2015. The company won one of the largest lots to deliver line pipe in 2015 and 2016. The products to be shipped include 1420 mm pipe with 21.7 mm wall thickness made from X70 strength grade steel rated for an operating pressure in excess of 9.8 MPa, manufactured at Volzhsky Pipe Plant. For all of 2015 and the first two months of 2016, TMK plans to ship 152,000 tonnes of pipe as part of the Power of Siberia project, 60,000 of which have already been delivered.

The Power of Siberia is one of today's key pipeline transport projects, opening up new opportunities for delivering gas to Eastern Siberia and the Far East. The new gas pipeline system is designed to transport gas from Yakutsk and Irkutsk gas production centers to the Russian Far East and to China. The gas transmission pipeline will extend 4,000 km. The technical characteristics of the transmission pipeline currently under construction are as follows: diameter — 1420 mm; operating pressure — 9.8 MPa (100 bar); throughput — 61 BCM of gas annually. Construction of the transmission pipeline

began in September 2014. Gas production is slated to begin at Chayanda field in late 2018, by which time the first phase from Chayanda field to Blagoveshchensk will have been built, stretching more than 2,200 km. More than 1.7M tonnes of pipe will be used to implement this project in 2014–2018.

"Participating in the large-scale Power of Siberia project is a serious and critical challenge for TMK and the other domestic pipe companies involved in the project. The new transmission line will be built in areas with challenging geological and climatic conditions and in areas

with active tectonic faults or elevated seismic activity, which requires the reliable and high-performance piping solutions that our company will provide. We will also take part in subsequent Gazprom tenders to supply pipe for the transmission pipeline. We plan to become a comprehensive supplier of seamless casing and tubing pipe for the Chayanda and Kovytk fields, where gas will be produced to fill the Power of Siberia pipeline," commented TMK President and CEO Alexander Shiryaev.



# MAJOR UPGRADES COMPLETED AT TMK IPSCO'S AMBRIDGE PLANT

After forty days of around-the-clock work by more than 200 employees and contractors, the Ambridge plant went back on line with a rebuilt rotary furnace and piercer, days ahead of the original schedule. TMK IPSCO invested more than \$15 million in the capital improvements, demonstrating the company's commitment to the Ambridge plant and community.

"We took advantage of the slowdown in demand for seamless OCTG due to the current low levels of drilling," said Dave Diederich, vice president and chief manufacturing officer. "These improvements were originally scheduled for later, but with the current lower volumes we had the opportunity to complete the upgrades and had the time available to run ahead to meet our customer requirements. We want to be sure we are fully prepared to meet our customers' needs when the market turns around."

The forty year-old rotary furnace is "better than new," according to Tom Weber, director of capital projects. Some design improvements which were incorporated into the rebuilt unit made it stronger. The new refractory material installed and fine tuning of the burners will all lead to better performance. The project, led by Senior Project Engineer Jeff Humes and assisted by Project Engineer Adam Calender, finished ahead of schedule and on budget.

The piercer project, led by Ray Terza, Ambridge plant senior project engineer, involved installing a new SMS Meer piercer housing, putting

in a new foundation, installing a new hydraulic valve stand, a new latch housing and new thrust block runway. Because this work was performed in parallel with the rotary furnace, it presented a great opportunity to have operations, maintenance and engineering work closely together to deliver the very best result.

In addition, the plant took advantage of the idling to do some significant maintenance jobs, including rebuilding/replacing motors, replacing bearings and re-aligning equipment. The gearbox for mandrel mill stand #8 was replaced. Both stretch mill gearboxes were removed, re-machined and had new bearings installed. Ron Cadman of the maintenance department kept communication lines open with daily updates of all outage activities.

The maintenance department did an outstanding job cold commissioning the equipment once the installation work was complete. They worked 16-hour days to ensure the schedule was met. The operations department then set up, calibrated and hot commissioned the equipment.

"The one thing that stood out for me was the level of teamwork in all aspects of the project," Plant Manager Frank Corona said. The teams of production, maintenance, and engineering employees were complemented with the experience of TMK Chief Mechanical Engineer Sergey Makovetskiy who made several visits to the plant during the planning phase and as the plant came back on line. Engineers

from several plants assisted with the outage. Besides Adam Calender from the Camanche Plant, Rich Arndts and Jim Truskot from Wilder and Sam Abernathy from Blytheville also assisted on the outage and the start-up.

Dave Diederich summed up the accomplishment by saying, "Great planning. Great execution. I couldn't be more proud of what you guys have accomplished there. Tom Weber really got all of our resources involved in the outage. Thanks for your hard work, focus and dedication."

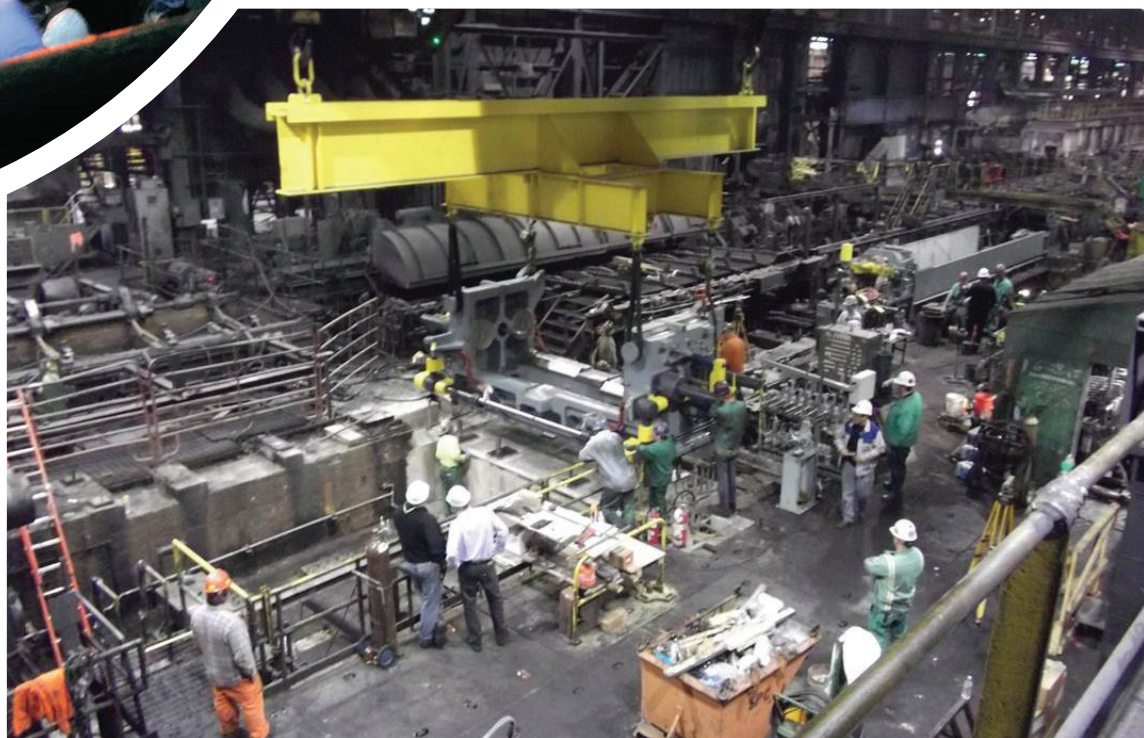




« The original piercer foundation was completely removed and replaced.

« Hot commissioning of the piercer

« The new piercer is set into place with the help of two cranes.





# SERGEY CHETVERIKOV

## MANAGING DIRECTOR OF THE VOLZHISKY PIPE PLANT

In the near term, the line pipe segment will remain one of the pipe market's most promising in terms of demand. Current and anticipated pipeline projects give manufacturers the confidence to generate orders, but also require that they be prepared to offer tubular goods possessing the requisite technical attributes. Sergey Chetverikov, Managing Director of the Volzhsky Pipe Plant, one of the leading line pipe manufacturers in Russia, offers his perspective.

**Line pipe has always been considered a strategic product. Why do you think this is and what is unique about this type of tubular good?**

That is definitely true. Line pipe is used mainly to construct transmission pipelines that extend for thousands of kilometers. The scale of these structures and the fact that they are designed to remain in operation a long time – up to 35 years – places additional responsibility on the manufacturers of these tubular goods. That is in addition to flawlessly fulfilling all the customer's most stringent requirements as to the geometric parameters and mechanical properties of the line pipe, coupled with high quality. For the foreseeable future, oil and gas will play a dominant role in our lives and the task of transporting these strategic energy resources great distances, from hard-to-reach places to the most remote corners of the world, will be a crucial one.

**How would you describe today's domestic line pipe market? Have import substitution issues been resolved yet?**

Domestic pipe manufacturers began addressing the issue of import substitution back in the late 1960s and early 1970s. From the beginning, Volzhsky was built to be a manufacturer of tubular goods for the oil and gas industry and in 1970 its electric-weld pipe shop began producing its first products. This shop was one of the "early birds" in large-diameter pipe manufacturing in the Soviet Union and assimilating

this new product helped reduce the percentage of line pipe being imported. Extensive refurbishment and upgrades to Russian pipe plants producing large-diameter pipe in 2006-2009, including Volzhsky, made it possible today to be almost entirely line pipe independent of imports. Domestic line pipe is meeting the demands of Gazprom, Rosneft, Transneft and other leading customers of these products. Russian pipe manufacturers are prepared to maintain this position as they head into the future. Furthermore, our domestic line pipe manufacturers now have excess production capacity – total production capacity is almost twice the current level of demand for these goods.

**How have the requirements for line pipe changed over the past decade? What pipe properties have become the critical ones for today's pipeline projects, including offshore projects?**

The latest designs of onshore and offshore gas transmission pipelines are based on high operating pressures – 1700 psi and 3200 psi respectively. This means that pipe will be of higher strength grades – X90, X100 and X120. Being able to increase operating pressure through the use of high-strength steel that can withstand challenging climatic conditions is important. The advancement of metallurgical technologies is making it possible to achieve the requisite strength characteristics by increasing wall thickness and increasing toughness without changing the overall alloy



and microalloy content while still maintaining weldability and other important characteristics. The most obvious advantage of using high-strength pipe is the lower quantity of metal consumed, since pipe wall thickness can now be reduced.

To carry out today's pipeline projects, such as the "Power of Siberia" project, electric-welded pipe with high strain capacity and a low yield-to-ultimate-strength ratio is required. This pipe is designed to be laid in permafrost and active tectonic fault zones. Production of this unique pipe, measuring 1420x32 mm, was mastered in the latter half of last year using a process developed

TRANSPORTING  
RESOURCES FOR  
DISTANCES WILL  
TO REMAIN A CHALLENGE



G STRATEGIC  
OR LONG  
LL CONTINUE  
CRUCIAL TASK.



at Volzhsky with the support of RosNITI experts. Today we are ready to produce these goods, which previously could only be procured abroad. The same can be said of pipe manufactured according to the DNV international standard for offshore oil and gas field development.

**More than six years have passed since the introduction of the longitudinal welding machine. What developments have occurred since then in the manufacture of longitudinally welded pipe?**

We have carried out a number of projects to upgrade existing equipment or install new units so we can meet the additional

production engineering and quality control requirements of our key customers. For instance, on the longitudinal-welding line we installed an additional automatic ultrasonic testing unit and the X-ray inspection units are continuously being upgraded. On the internal coating line, the installation of a pipe surface vacuum cleaning unit is in its final stages. A system is being introduced for in-process non-contact measurement of the geometric parameters of longitudinally welded pipe after each process phase.

**What is being done in response to customers' increasing demands for high quality control of tubular goods?**

**How would you assess the company's capabilities in this area?**

For many years now, our company has been moving voluntarily toward stricter product quality control requirements and in many areas we've outpaced the potential new requirements and demands of our key clients. We have developed and initiated our own TMK-1 and TMK-2 proprietary standards, which have significantly reduced the potential margin for variance. Tubular goods are being inspected according to more stringent criteria, in particular with regard to threading quality and geometric parameters.



Regarding our international customers, one example is ExxonMobil, which imposes very stringent requirements for ultrasonic product testing. At the third pipe mill on the gaslift line, two Socomate phased-array pipe end section inspection units are in operation and a similar unit has now been installed to inspect the pipe body as well. This unit has already been put into pilot production and obtained approval from Shell representatives who observed it in operation. ExxonMobil is scheduled to audit the unit soon. A recent American Petroleum Institute (API) audit at Volzhsky resulted in high ratings of the workforce's technical competence and the process validation and product traceability program.

We are proud of our factory traceability system, which automatically archives and saves all product parameters. It is this system that confirms the pipe conforms to all the individual parameters.

#### **What are the challenges and prospects today for producing helically welded pipe?**

Spiral welded pipe is not the least bit inferior to longitudinally welded in terms of its strength characteristics or the reliability of its welds. Today, in the construction of transmission pipelines, there is a consistent trend toward increasing their transmission capacity as much as possible by increasing the pressure of the oil and gas being transported, which means increasing pipe thickness and the strength of the alloy that is used. However, the thickness of helically welded pipe is limited in part by the thickness of the coiled metal; according to present-day international practice, its maximum thickness is 25.4 mm (1 inch). But to construct transmission pipelines, the customer needs line pipe with a wall thickness of 27 mm, 33 mm, or even 39 mm.

Longitudinally welded pipe is quite capable of fitting the bill, but spiral welded pipe has other good prospects for the future. In terms of structural engineering applications, it can be used in bridge pylons, wharfs and docking facilities. Chinese builders led the way in this use in the 36 km-long Hangzhou Bay Bridge, built on piles made from spiral welded pipe. Volzhsky already has a track record with the construction of the Ust-Luga Sea Port in the Gulf of Finland. We recently received an order to manufacture pipe for the construction of the Sabetta port on the Yamal Peninsula, and have sent samples of our products for testing to construct a bridge across the Kerch Strait.

#### **While a number of pipe market segments are currently declining, the line pipe market appears to be the most optimistic and has good prospects. What kinds of projects can pipe manufacturers count on most of all?**


It's true that certain segments are showing a decline, which has to do with difficult economic conditions

at the moment. However, the number of orders for line pipe remains at a fairly high level with Russian manufacturers on average operating at about 75% of production capacity. The needs of two major projects – the “Power of Siberia” and “Southern Corridor” – account for most of this optimal utilization of production capacity. We also should not disregard the manufacture of pipe for repair and operational needs, primarily for Transneft and Gazprom. On top of everything else, these companies also repair and rebuild “old” oil and gas transmission pipelines running through various regions across Russia.

#### **Line pipe is Volzhsky's calling card on the pipe market and within TMK, but the plant also produces other types of products that are in demand in the oil and gas industry. What innovations have been developed recently?**

When developing and assimilating new types of products, we try as hard as we can to factor in the needs of all the major customers. That goes for import substitution projects, too. For example, based on the results of our work with Gazprom on a joint technical cooperation program since 2012, plans





call for developing more than 20 new products for gas production and transport at TMK plants, the Volzhsky Pipe Plant in particular, by the end of this year. The question of expanding the practice of using pipe with TMK UP premium connections at Gazprom fields is under discussion.

An example of our latest innovations includes manufacturing pilot batches of pipe according to new specifications, using a material that was completely new to Volzhsky: 20ALCE steel with the addition of rare-earth metals. These pipes are distinguished by their enhanced water- and corrosion-resistance and are designed to transport oil and gas in the country's northern regions. The latest innovations also include a pilot batch of sour service tubulars with higher alloy content for downhole equipment that faces the most arduous operating conditions. We are constantly searching for new opportunities to develop and assimilate products to best serve our customers.

OUR COMPANY VOLUNTARILY  
TIGHTENS ITS QUALITY  
INSPECTION REQUIREMENTS,  
OFTEN EXCEEDING THE  
REQUIREMENTS OF OUR KEY  
CUSTOMERS.



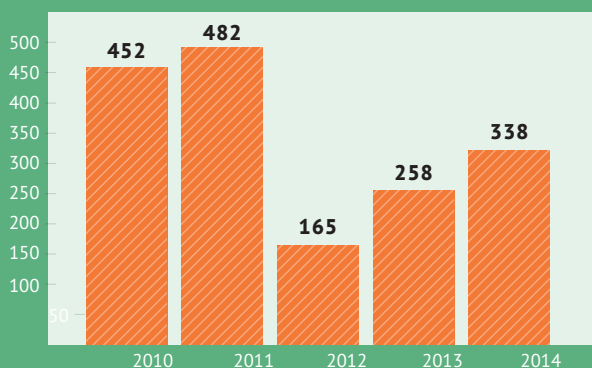
# THE GAZPROM – TMK PARTNERSHIP

Gazprom has always been a key partner for TMK. The needs of Gazprom in many ways shape the product mix offered by TMK plants and the types of new equipment put into service. After a decade of R&D collaboration with the gas giant, TMK has developed more than 70 new products.

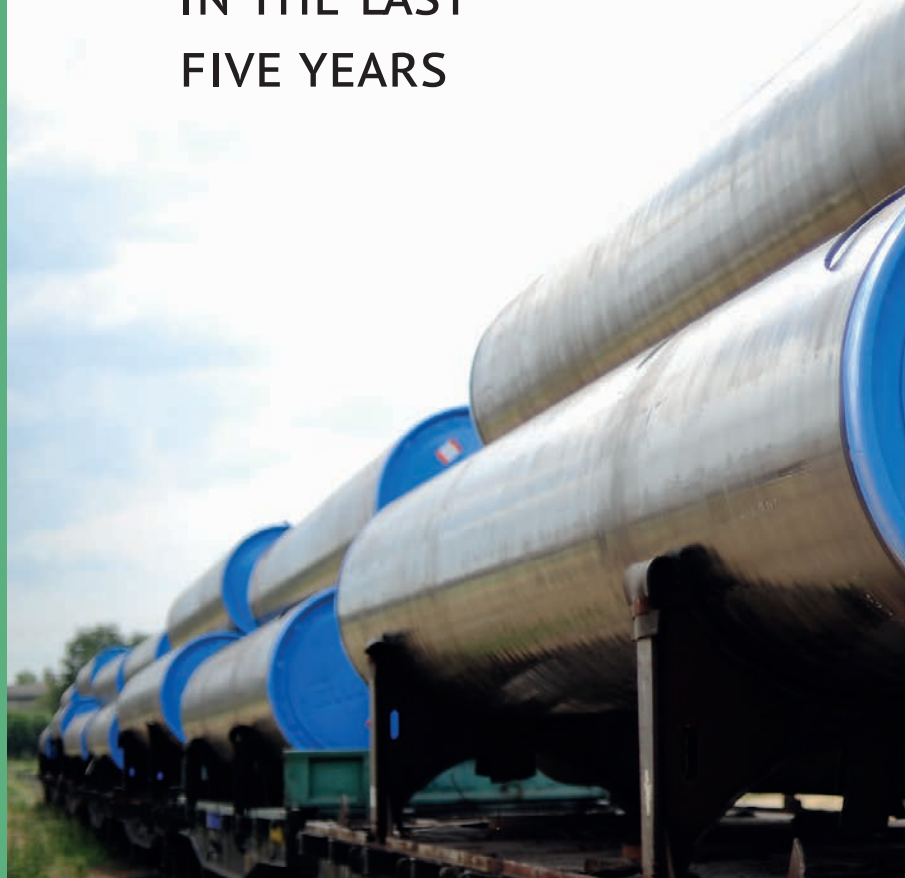
TMK was one of the first Russian manufacturers of pipe for transmission pipelines, contributing appreciably to import substitution in this sector. In a major breakthrough, Russian companies, TMK included, have helped build the Bovanenkov-Ukhta high-pressure gas pipeline. TMK is drawing on experience gained through involvement in the major and complex Gazprom project, supplying its biggest customer with products for hydrocarbon transportation as well as well drilling and completion.

Products supplied by TMK include casing pipe and tubing with premium threaded connections for the Bovanenkov oil- and gas-condensate

Shipments of TMK pipe to Gazprom (000' tons)



## TMK DELIVERED 1,696,000 TONNES OF TUBULARS TO GAZPROM IN THE LAST FIVE YEARS



field and other Yamal fields; TMK has set up production of pipe with advanced properties, especially for extreme north conditions; developed thermally insulated tubing engineered for the fields on the Yamal Peninsula and in other regions with permafrost; produced large-diameter casing pipe with weld-on connectors, designed to be used as surface casings for deep-water wells; developed GreenWell lubricant-free coating for threaded connections; and provided casing strings assembled entirely from Russian-made equipment.

TMK and Gazprom have thus far implemented three R&D collaboration programs. Last year, the companies signed a new R&D collaboration

agreement for 2015-2020. Over the five-year period, TMK is expected to engineer and set up production of 25 new products designed to meet Gazprom needs, 15 of which will replace existing imports. They include pipe with enhanced strain capacity for sub-sea pipelines, as well as casing pipe, tubing and drill pipe for difficult fields and offshore projects. Most program activities will involve continued expansion of production of TMK premium products, including lubricant-free coatings for threaded connections and products made with new alloys and materials.

The outcome of this program, scheduled through 2020, is that Gazprom will improve the operational





« TMK has extensive experience participating in large-scale and complex projects with Gazprom.

Vladivostok transmission pipeline was tested.

#### **Bovanenko-Ukhta and Ukhta-Torzhok**

When completed, this high-pressure gas pipeline will be more than 2,400 km long. The first line of the Bovanenko-Ukhta gas pipeline is over 1,240 km long. It entered service in October 2012.

#### **Sakhalin-Khabarovsk-Vladivostok**

A crucial project of the Eastern Gas Program, this gas transport system begins on Sakhalin, crosses the Nevelski Strait and then runs through Komsomolsk-on-Amur and Khabarovsk all the way to Vladivostok. Its total length is more than 1,800 km. TMK provided line pipe for the project. The first facility entered service in 2011.

#### **South Corridor (onshore portion of South Stream)**

The overall length of this gas transport system will be 2,506 km. The project timeline is 2010-2017. It is being implemented across eight constituent regions of the Russian Federation: Nizhny Novgorod, Penza, Saratov, Volgograd, Voronezh and Rostov Oblasts, the Republic of Mordovia and Krasnodar Krai.

#### **Bovanenko Field**

This field stores the largest gas reserves on the Yamal Peninsula. The first startup facility was launched in 2012. The field will be ramped up to its design capacity of 115 BCM of gas in 2019-2021.

#### **Power of Siberia**

This gas transport system is designed to carry natural gas from the Yakutsk and Irkutsk gas production hubs to the Russian Far East and China. It will have a length of about 4,000 km and a design capacity of 38 BCM of gas per year. Construction began in September 2014; TMK started product shipments for the mega-project this year.

reliability and efficiency of its facilities and TMK will set up production of new product varieties, reinforcing its market positions through import substitution.

Gazprom projects for which TMK has supplied tubulars include:

#### **Yamal-Europe**

This transnational gas pipeline crosses Russia, Belarus, Poland and Germany. Its overall length exceeds 2,000 km.

#### **Central Asia – Center**

This 5,000-km gas pipeline runs through Turkmenistan, Uzbekistan, Kazakhstan and Russia.

#### **Pochinki-Gryazovets**

This gas pipeline crosses Nizhny

Novgorod, Vladimir, Ivanovo, Yaroslavl, and Vologda. Its total length is about 650 km. TMK provided large-diameter pipe for the pipeline. Construction was completed in 2012.

#### **Gryazovets-Vyborg (onshore portion of Nord Stream)**

The gas pipeline runs through Vologda and Leningrad regions. It is 917 km long. Its design capacity is 55 BCM of gas per year.

#### **Kirinskoye Field**

Located off Northeastern Sakhalin, 28 km from shore in the Sea of Okhotsk, the sea depth in the area of the field is 90 m. In October 2013, the first gas was produced and the gas transport system to the Sakhalin-Khabarovsk-



# VLADIMIR SHCHERBATYKH

## HEAD OF TMK's MIDDLE EAST DIVISION AND GENERAL DIRECTOR OF TMK GIPI

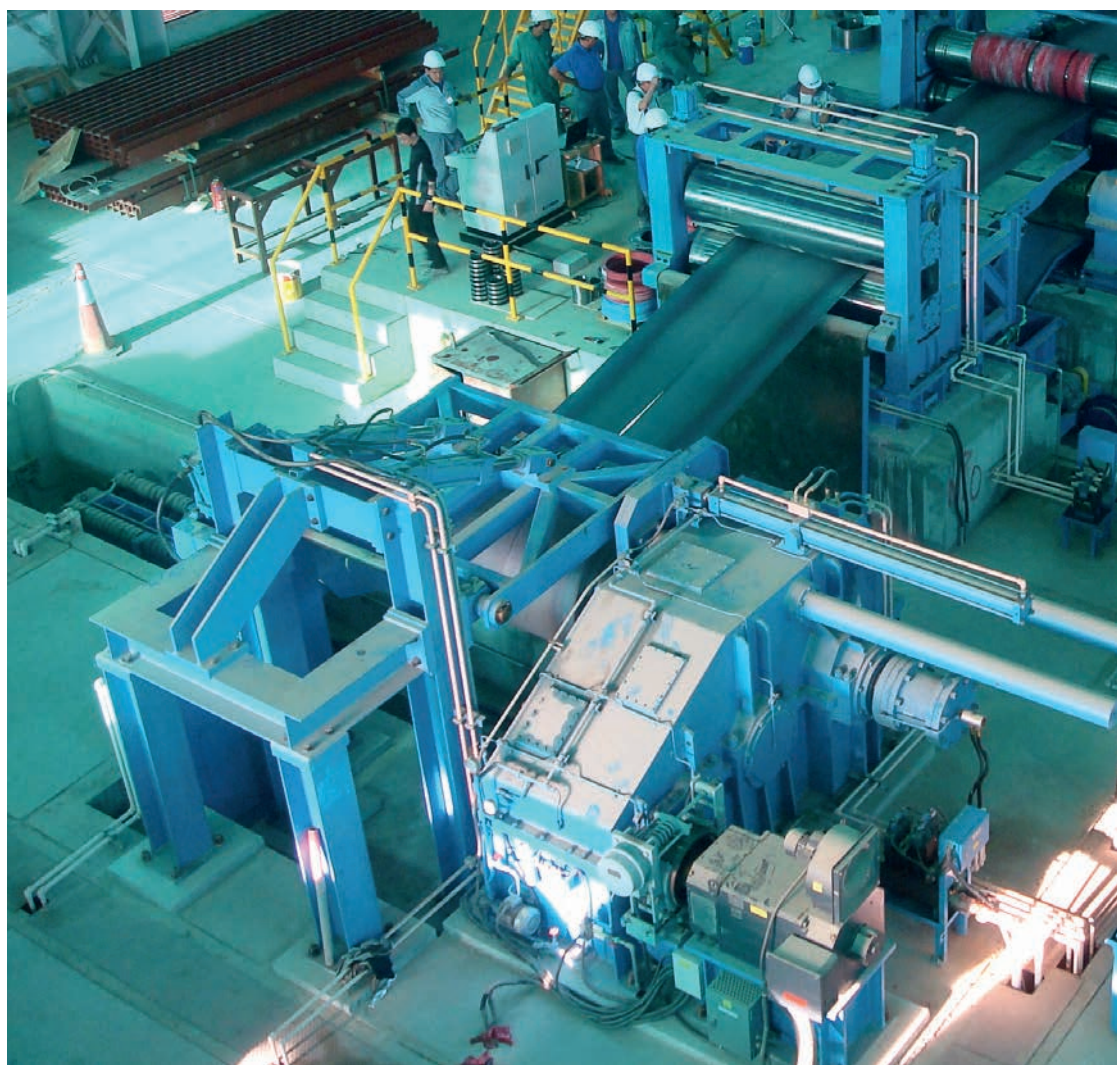
The nations of the Middle East possess 65% of proven global oil reserves and 44% of gas reserves. Virtually all of the world's leading oil and gas companies have a presence here. Vladimir Shcherbatykh talks about operating in one of the most important tubular goods sales markets.

### **What is distinctive about the Middle East market?**

It is a very promising market. The region of the Middle East, North Africa and South Asia includes 21 oil and gas producing countries and more than 150 pipe manufacturers are represented here, including the largest oil and gas operators. In this region, total daily production accounts for as much as 41% of global oil volume and 22% of gas volume. The level of proven reserves here makes it possible to imagine there is great potential for further growth of the oil and gas industry. Despite the rescheduling of certain projects due to the economic and geopolitical situation, we have seen relatively stable pipe consumption this year.

### **What countries are these competitors from and what advantages do they have?**

Most of the suppliers are from Korea, India and China. They are vertically integrated companies, with their own coil and pipe manufacturing facilities, ports and fleets. They can offer their products at extremely low prices, making a small profit per tonne, but making up for it in sales volume.





# THE REGION OF MIDDLE EAST, NORTH AFRICA AND SOUTH ASIA ENCOMPASSES 21 OIL-PRODUCING COUNTRIES



## **Under these circumstances, what can TMK do to differentiate itself?**

We are focused on developing partnerships with our clients, improving our products, expanding our range of services and changing our approach to manufacturing according to customers' needs, offering them the best solutions and keeping our ears open to new market demands. This work has already been fruitful. TMK GIPI is a top performer in the Oman pipe market. We are striving to get all the pipe orders on the local market that fall within our product mix. We also offer our customers warehousing services, the services of our laboratory and internal and external coating application services for tubular goods. Beyond that, we believe that TMK's targeted participation in national programs and national strategies serves to strengthen our position in the region.

## **TMK acquired a share of GIPI capital when it acquired a controlling interest. Might the company increase its ownership share?**

The government of Oman is focused on developing the country's industrial complex: state-owned oil and gas companies are lending support to local manufacturers provided they meet certain requirements, which includes having Omani shareholders as owners of the companies. This is why TMK GIPI has the equity holding structure

that it does. Nevertheless, key GIPI management positions are held by specialists who formerly worked at TMK's Russian divisions. Overall, our team has an international flavor. In addition to Russians and Omanis, we have people working for us from India, Korea, the Philippines and Pakistan.

## **What has changed at the company since GIPI became a part of TMK?**

In this market, TMK GIPI now serves as a provider of packaged solutions, which includes the products of other companies in the TMK family. This makes what we offer more attractive to the major oil and gas operators and has allowed us to get the processing chain up and running smoothly in the manufacture of tubulars. For example, together with TMK IPSCO, we are producing J55 strength grade casing pipe, as well as line pipe, for the American market. We apply an anti-corrosion coating to pipe made at TMK's Russian plants. And one of the latest examples is that we worked with the Volzhsky Pipe Plant to fulfill an order from Shell for the Majnoon project in Iraq.

Another area of cooperation is product testing. Taking note of the trend in Oman and the Persian Gulf nations toward bigger orders for high-strength tubulars (X60-X65), with additional requirements for resistance to various types of corrosion, we are actively planning to bring TMK's R&D centers in Houston and Chelyabinsk on board to conduct the necessary testing. Last year the company decided to use TMK GIPI as a licensing center for premium connections to promote them in the region.



# TMK GIPI IS A SUPPLIER OF INTEGRATED SOLUTIONS INCLUDING THE PRODUCTS OF OTHER TMK PLANTS



## **Are there any plans to develop TMK GIPI's manufacturing facilities?**

At the time this site opened in 2009, the most advanced equipment had already been installed here. However, considering the growing market demand, we are actively upgrading our production processes. In the electric-weld pipe shop, we produce 18" diameter pipe with a minimum wall thickness of 5.6 mm using X65 grade steel. In the coating shop, the production process of applying a powder epoxy to the interior surface of 6" diameter pipe is being developed.

## **What are the important results of 2014 operations and what are the near-term plans?**

Last year, 65,000 tonnes of tubular goods were sold, of which 62% went to the Oman domestic market. However, we took part in implementing a wide range of major infrastructure projects outside Oman as well. High-strength X65 pipe, with a three-layer polyethylene coating for use in corrosive environments, was supplied for a joint project between the companies ADNOC and Masdar. We shipped sour service pipe with a three-layer polyethylene coating to Saudi Chevron for the construction of a pipeline linking the central oil production facility at the Wafra field in the Neutral Zone (operated jointly by Saudi Arabia and Kuwait) and the terminal at the Port of Mina Saud in Kuwait.

This year, TMK GIPI is planning to increase sales by increasing deliveries of coated line pipe for pipeline construction projects being implemented by Omani oil and gas companies. We are continuing to supply welded line pipe as part of the Kauthar project and there are plans to ship an additional 15,000 tonnes of K55 grade welded casing pipe.

## **Is there an opportunity to further expand the circle of customers of TMK products in the Middle East?**

Considering the limited competition in a number of projects and its favorable geographic location, we are focusing on Iraq as one of our top-priority markets. By the end of the year, we plan to complete the accreditation of TMK GIPI with the state-owned company, the Iraq Oil Ministry and the South Oil Company. Furthermore, we are taking part in several tenders involving the supply of goods for a number of projects in Iraq.

## **You already mentioned that the team you have in place is an international one. What is it like to work with such a team? How are you able to motivate your employees to work toward common goals?**

A multi-national staff has its advantages. For the employees, it is a good opportunity to expand their horizons to better understand the culture and traditions of other peoples. Each

employee contributes something distinctly their own, while at the same time these representatives of different countries retain their uniqueness. The employees are dedicated to tackling common goals and what influences their success is their professional knowledge and expertise, not anything specific to their nationality or ethnicity.

## **Do local conditions such as climate have an impact on operations?**

The workday here lasts just as long as in Russia – eight hours, but the local climate forces us to make some adjustments. Our workday begins at 7 a.m., when it is still relatively cool and ends at 4 p.m. In addition, the schedule changes during the holy month of Ramadan. During that time, we shift the workday by one hour so that our Muslim employees can attend communal prayer. We respect the religious beliefs of our Omani colleagues.

## **What else is distinctive? For example, are there any national or ethnic dishes served in the plant cafeteria?**

Our cafeteria offers a multi-course lunch consisting of three dishes, but the cuisine is not exclusively traditional Omani. The chief task of the catering company is to plan a menu that will be enjoyable for people from various cultural backgrounds.



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# Global Strength

As one of the world's largest producers of welded and seamless pipe and premium connections, TMK is dedicated to serving the oil and gas industry. Our legacy of quality, industry-renowned customer service and focus on innovative products and services allows us to drive unparalleled value for our customers. Dedicated to the advancement of tubular technologies, our team of experts is available to work with you to create customized solutions for the most challenging environments.