

TYUMEN OBLAST

Tyumen Oblast is in the West-Siberian lowland. It is situated in the south of the region and makes up 11% of the whole territory.

Land area: 62,471 square miles (161,800 square km).

It borders with Sverdlovsk, Kurgan, Omsk Oblasts, Khanty-Mansiysk Autonomous District and Kazakhstan.

Population: 1,314,500.

Population Density: 8.2 individuals per square kilometer.

Administrative center: city of Tyumen (population 570,900).

Tyumen Oblast is a multi-structured subject of the Russian Federation. It comprises not only the southern area of the Oblast but also the Khanty-Mansiysk and Yamalo-Nenets Autonomous Districts. Those regions are not its administrative units but subjects of the Russian Federation.

Today, Tyumen Oblast is **one** of the **most stable regions** of the Russian Federation. Its gross regional product grew by over 10 percent in 2007, higher than the Russian average.

The Oblast's economy has a diversified structure. There is significant industrial potential, developed transport infrastructure, productive agriculture, and a wide range of social services.

The main modes of **transportation** have been developed in the Oblast. Petroleum pipelines, gas flow lines, trunk roads, and waterways go through the area. There is an advanced structure of rail and air transport. The Oblast is connected to major oil and natural gas production centers in the autonomous districts by the main Trans-Siberian Railway.

Tyumen International Airport provides passenger and all-cargo services not only in the territory of Russia but abroad as well. River transport connects many districts of the Oblast during the navigation season. Cargo is delivered to different industrial centers along the waterway from the Port of Tyumen.

Today, the Oblast's **social policy** is a fundamental priority. The birth rate is rising, while the death rate is coming down. In 2007 this added 935 people to the population of the Tyumen Oblast.

Unemployment continues to fall. In November 2007 there were 8,500 unemployed people, less than 1.3 percent of the population. The state employment agency actively targets unemployment, assisting employment and organizing refresher courses for the unoccupied population.

The average wage in Tyumen Oblast is €414.70, making it one of the leading oblasts in Russia in this respect.

Subsurface resources of Tyumen Oblast include various mineral deposits such as petroleum, peat, quartz sand, brick and kermesite clay, decay ooze, limestone and fresh and mineral water.

The peat resources of the Oblast are estimated at 37 billion cubic meters (in 495 deposits). Five deposits are being developed. In some peat deposits there are

reservoirs of hydrous ferrous phosphate (about 20 percent of the world's reserves), which can be used in phosphate fertilizers.

In the south of the Oblast there are plentiful fresh water and mineral water sources. The underground water is rich in iodine and bromine. Cherkashinskoye and Tobolskoye are the largest commercial iodine-bromine reserves. The Oblast has great potential for the development of health resorts.

Tyumen Oblast has many **rivers and lakes**. The longest rivers are Irtysh, Tobol, Ishim, Tavda, and Tura. The largest lakes are Bolshoi Uvat and Chyornoye. They contain about 30 species of fish, 20 of which are of commercial importance.

The major features that make the oblast attractive to investors are **its proximity to the economically developed regions of European Russia** (primarily, the Urals), the **availability of various natural resources**, its **high industrial potential** and **political stability**. With regard to international cooperation, Tyumen Oblast's economy is influenced by neighboring Kazakhstan and its proximity to China and the republics of Central Asia.

The **power industry** is highly developed in the south of the Oblast. It completely supplies the requirements of the Oblast and transmits energy to other areas. Tyumen heat and power plants are some of the largest producers of energy in Europe that use passing gas. The leading German E.ON Concern and STS Corporation of Russia founded the "E.ON-STS Energy" joint-venture in Tyumen. The new company is planning to develop construction projects with approximate generation capacity of 3,000 MW.

The well-developed **refinery industry** supplies the petrochemical complex of the country with light hydrocarbon raw. In 2006, Antipinsky Oil Refining Factory was started. Today, its capacity is 500,000 tons. By 2009, this will have risen to 3 million tons.

The **chemical and petrochemical industry** produces butadiene, synthetic resin, plastic mass, polyethylene pipes, and polymeric pellicle. "Sibur Holding" has begun the world's largest petrochemical complex producing olefins and polymers. On the first stage propane dehydration installations that produce 450-500 thousand tons of propylene per year will be constructed on the base of "Tobolsk Neftechim." The size of the investment is €1.7 billion.

Equipment produced by **engineering plants** for oil extraction, oil refining and geological surveying and tractor trailers, woodworking machines and concrete mixers are also in great demand. Schlumberger, Benetec Drilling Company and Oilfield Systems are manufacturing oil and gas production equipment. Benetec Drilling and Oilfield Systems will begin manufacturing drilling rigs and components in Tyumen in 2007-2008. The sum of the investments is €18 million. Schlumberger has already built three plants and the Siberian Educational Center. The investment in these projects is over €90 million. The German Dina Energetic Company is going to start the manufacture of products for the oil and gas sectors.

The **construction materials industry** produces precast reinforced concrete frames and concrete goods, products for large precast concrete panel construction, bricks, wall blocks, environmentally responsible insulating materials, clay and faced tiles. The Turkish Mesa Imalat Company is producing constructional forms

for cast-in-place construction, with an estimated value of €10 million. The M-C Bauchemi Russia Company is planning to produce dry mixes. The investment in the project is €10 million.

The **wood and timber industry** plays an important role in the development of the Oblast. Significant stocks of wood are concentrated in the territory. The Oblast's growing stock is about 920 million cubic meters. A broad range of furniture, heat insulation, finishing materials, and woodwork is produced here.

Tyumen Oblast has great facilities for **agriculture**. The territory of the farmland is 3,352,000 square km, 21% of the Oblast's supply of land. Tilled soil covers 1,632,000 square km. The fertile soil and moderate climate make for favorable conditions for growing grain, potatoes, vegetables, succulent and forage fodder. Cattle, pigs, goats, horses and poultry are raised here.

The Dutch Provim Company has made a decision to start manufacturing fodder premix in the Oblast.

At the end of 2007, RASTAM-Otsenka (Russia, Tyumen) and IAK AGRAR Consulting GmbH (Germany, Leipzig) consulting companies produced *The Investment Development Strategy of Food Industry, Agriculture, and Fishing Industry in Tyumen Oblast*. They singled out investment aims, the volume of investment possibilities and accentuated the advantages of Tyumen Oblast in contrast to competing regions.

Besides, Tyumen Oblast has among the highest **housing activity** in Russia. In 2007, 896,000 square meters of living space were taken into use in the Oblast. According to this index the Oblast keeps its leading position among the territories of Ural Federal District.

Tyumen Oblast is one of the largest **educational centers** in Russia. Today, there are 11 dual-mode universities with 49,105 full-time students and 37,493 distance learners in the Oblast.

Moreover, the Oblast has a unique, new scientific research complex. There are 37 organizations carrying out more than 2,000 scientific research projects annually, mostly for the oil-and-gas industry. The oblast's specialists get over 200 patents every year.

Tyumen Oblast participates in the government sponsored "**technoparks**" high technology development program. The planned Tyumen Innovative Oil and Gas Center will promote the implementation and commercialization of the progressive technologies that have been developed for the oil and gas industries. What is more, it will provide a large number of highly qualified researchers and technologists with jobs. The "technopark" should become not only the basis for the development of innovative activity in the Oblast but also the link between universities, scientific laboratories and industrial manufacturing.

Tourism is a promising new trend in Tyumen Oblast. It is rapidly expanding due to economic potential, unique significant sites, the availability of hotel services and the advantageous geographical position of the Oblast. In order to improve the tourist potential of the Oblast, the leading German tour operator Olympia Reisen created *The Tourist Development Strategy* for the territory. The gradual formation

of major tourist-transport projects and new tourist routes in Tyumen Oblast has an important part to play in the development of cultural tourism.

The Tyumen Oblast Government has worked out strategies for the economic development of the Oblast until 2020 with regard to light industry and the timber and wood-working industries. Additional strategies for the machine building, construction, transport, logistics and the real estate market are currently being developed, with development strategies for oil refining, petrochemicals, power, housing, utilities, infrastructure, services and shipbuilding planned for the future.

The main directions of economic development and investment in the Oblast have been fixed as the following:

- *Cluster of oil and gas complex;*
- *Cluster of electric energy industry;*
- *Cluster of timber and wood-working industry;*
- *Cluster of light industry;*
- *Cluster of services and trade;*
- *Cluster of agriculture and food-processing industry;*
- *Cluster of housing and construction materials industry;*
- *Cluster of transport and logistics.*

Today, in almost every cluster there are large investment projects being realized or that are about to be realized. In the **oil and gas complex** there are plans to build an oil refining factory with a capacity of 1 million tons of oil, to organize the production of mineral fertilizers, to start bitumen production with the capacity of 70 thousand tons, to produce tires, paint, varnish, lacquer, polyethylene and polypropylene products and oil and gas equipment.

A strategy for the development of the **wood industry** in the Tyumen Oblast has been created by Finnish Iakko Puri Consulting Company. Some priority projects have been determined, including the creation of an enterprise that produces wood-shaving plate, fibrous plate, dry coniferous saw-timbers and OSB, as well as logging enterprises.

Within the framework of the **light industry cluster** special attention has been given to the production of woolen fabrics, textiles, children's wear, and work wear.

Seven new hotels are currently being built in downtown Tyumen by international operators such as Radisson (SAS Rezidor), Marriott and Domina Hotels & Resorts. Well-known hypermarkets Metro Cash & Carry, Lenta, Perekryostok, MosMart, and Monetka have been built. Negotiations with Carrefour, Ramstore, Auchan, Kastorama, and IKEA are in progress. Different projects in this sphere present opportunities to investors.

In the **agriculture and food processing industry** there are various projects involving the production and processing of vegetables, wild-growing herbs, meat, fish and candy as well as the production of biofuels from rapeseed.

Due to intense housing development in the Oblast construction materials are in great demand. The Tyumen Oblast has all the necessary resources needed to produce various kinds of construction materials. The cluster of **building and construction materials** industry includes projects to start manufacturing bricks,

glass plate, cement, thermal insulating materials, roofing materials, finishing materials, expanded clay, building panels, drywall and wall paper.

Lately, the need for the delivery and storage of goods has increased considerably as large international companies have entered the regional market. In the cluster of **transport and logistics** the following projects have been suggested:

1. The construction of a net of logistics centers over an area of 250,000 square meters for the needs of the Oblast and large operators. One of the suggested projects is the construction of a multifunctional A-class logistics complex covering an area of 70 thousand square meters. Partner Holding is the initiator of this project. The volume of investments is €46 million;
2. Development of navigation and shipbuilding based on existing enterprises in the Oblast;
3. Development of Roshchino International Airport. A draft plan of the development is currently being carried out by Hochtief company;
4. Constructions of a 12 kilometer long bypass “Vostochny Obhod.”

Big companies like LUKOIL, TNK-BP, Gazprom, Halliburton (U.S.), OMV (Austria), Salym Petroleum Development (Royal Dutch Shell Group, Netherlands/GB) and many others have already started work in Tyumen Oblast. In 2006, Kelly Services international recruiting agency and Ergo insurance company started operations in the Oblast. In 2007, subsidiaries of Raiffeisenbank and Moscow International Bank opened. A branch of Banque Société Générale Vostok (France) is about to be opened.

Schlumberger, KCA Deutag, and DeLaval are creating an educational center to prepare experts to international standards. Similar centers have already been created by Transneft and RAS RJD. The British International School was opened in 2007.

The past few years have seen steady growth in the amount of *investment* in Tyumen Oblast. Since 2000, the investment volume in the Oblast economy has increased by 6.7 times. In 2005, 56.3 billion rubles were invested in the economy and social services of the Oblast (excluding autonomous districts), in 2006 – 70.7 billion rubles, and in 2007 – 89.5 billion rubles.

To attract investments to the Oblast a basic data bank of legal and infrastructure information was created. Investor’s are protected by the Tyumen Oblast’s legislation. The Oblast’s investment activity as well as forms and conditions of governmental support are fixed in the regulatory documents. According to the law #159 *On Governmental Support of Investment Activity in Tyumen Oblast* (enacted in 2003) the holders of capital investment projects are provided with the following forms of support:

1. Tax exemptions authorized in the manner prescribed by the federal and Oblast’s laws;
2. Budget credits;
3. Investment tax credit;
4. Grants and subventions;
5. State investments from the Oblast’s budget;

6. Rendering assistance in the allocation of publicly owned land and other real estate units;
7. Insurance arrangements.

To stimulate the investment process the Oblast's Duma (legislative assembly) passed the addenda to the law of Tyumen Oblast #504 On Tax Discrimination for Particular Ratepayer Categories in 2007.

The Economic Development Council of the Tyumen Oblast, headed by the Oblast governor, aims to maximize investment potential. The Council was created to consider investment offers and projects, to further coordination of the actions of the executive board of Tyumen Oblast regarding complex cooperation, to support in the realization of investment projects and to work out recommendations for single investment policy realization by municipal authorities.

Following the policy of supporting investment activity and perfecting the methods and forms of project realization, the Oblast's government targets steady investment growth in the real sector of economy, creating economic, legal and organizational circumstances for investment activity that provide a steady dynamic to the Oblast's economic development and solutions to its social and economic tasks.

Detailed information is available on the web-page of "The Investment Passport of Tyumen Oblast." The aim of the Passport is to give more information for those who want to enter the market, to raise the Oblast's investment attractiveness and to activate the investment process. The web-page contains topical information about the investment climate and details of investment activity in the Oblast.

Tyumen Oblast Department of Investment Policy and State Support of Entrepreneurship is responsible for the creation and carrying out of foreign investment and economic policy, as well as the formation of state support for investments in the Oblast.

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More details about Tyumen Oblast are available for download at www.admtyumen.ru.

The Investment Passport of Tyumen Oblast is available for download at www.investintyumen.ru