

Russian helium market to recover in 2021

Global and Russian helium markets are shrinking. Producers and consumers are concerned with complexity of project logistics, decline in the entertainment segment, lower consumption, and price hikes. How will the price of helium change, and is shortage to be expected? Will COVID-19 pandemic affect the timeline of new projects? CREON interviewed the market experts about the consequences of COVID-19 for the helium market, and their estimates of how long could the recession last.

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Over the years, the helium market has overcome challenges including shortage, overproduction and oil price drops. With regard to the ongoing crisis, the experts interviewed by CREON believe that a healthy balance of supply and demand can recover by mid-2021, when new production is launched at Gazprom and INK projects as planned.

At the moment, however, the situation remains complex. The local helium market became tighter back in March, when trading price for gaseous helium on the marketplace surged by 60%, reaching 2.335 rubles (ca. \$34) per cubic meter. As soon as pandemic reached Russia, the trading volumes fell, and the price returned to almost old levels. In parallel, the Orenburg helium plant shut down for scheduled maintenance, and the market has stabilized for now.

“The global demand for helium will fall by 20-25% this year compared to previous period”, says Deepak Mehta, CEO at Global Gases Group, one of the world’s leading suppliers of industrial gases. According to a supplier of helium to the Siberian Federal District, “the optimistic forecast is that the helium market will recover by winter 2020 or even by February 2021 at the earliest”.

Another big helium supplier to Ural and Far Eastern Federal Districts believes that the 2nd quarter of 2020 will be the most difficult. “Gradual recovery in helium demand could begin in the third and fourth quarters this year, while the pre-crisis level could be reached by around mid-2021. However, the entertainment segment of consumption may not recover at all”, the expert thinks.

Entertainment segment held up to 10% of the market

Social restrictions and a ban on entertainment activities have already reduced the volume of the global helium market by 10%. In 2018, the entertainment segment was about 47% of Russia’s helium market. “Helium for balloons was our cash cow before quarantine”, says a Director of industrial gases supplier company. “Now all sales are at zero, and obviously no demand for entertainment helium until the end of the year”.

Apart from lower demand, market participants are seeing logistics problems and opacity of regulation at regional level in Russia. «In some regions transport is allowed to pass, in some regions it is not», says a supplier of technical and medical gases to the Moscow region. «The market has shrunk as logistics is restricted amid quarantine: some are waiting for the borders to re-open, while some are using bypass roads», says a representative of another company.

Equipment suppliers make profit

The situation is better for industrial equipment suppliers. “Helium projects are the most profitable for us now, and keep us afloat. Our customers are large projects only, we do not supply to the entertainment companies, so probably that is why we manage to work now”, says a representative of the plant. Similar views are expressed by companies servicing large projects in the Eastern Siberia: component producers, equipment and tank-container suppliers.

Experts interviewed by CREON noted a slight increase in consumption in the medical segment caused by government contracts for supply and refueling of MRI scanners. “Production has seized, we are serving only orders from hospitals, have been forced to suspend other projects”, - another source in the industry commented. A supplier

in the Ural Federal District also noted a drop in sales and a decrease in helium price: «Yes, the demand is down, we had to decrease helium price. Now we survive mainly at the expense of cylinder oxygen and government orders».

At the same time, the Moscow-based Sklifosovsky Ambulance Research Institute is conducting research on the use of helium for treatment of lung problems caused by COVID-19. Since late April, the Institute has been successfully testing helium-oxygen mixture for lung ventilation in the “red zone” and reporting positive results.

“We have been following the helium market for many years, and are witnessing dramatic changes now. On the supply side, the producers continue to carry out planned projects, while the demand has dropped significantly. However, there are certain developments in Helium consumption for healthcare; new growth points are possible there”, says Nikolai Asatiani, CEO of CREON Energy Asia, the Singapore subsidiary of CREON Group.

The helium market will be discussed in detail at the ‘Helium 2020’ Conference in Saint Petersburg, October 23rd ([Program and registration](#)).