



Butadiene (Asia-Pacific)

By Ai Teng Lim
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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

ICIS is currently consulting readers about the methodology used for this report. To respond, click [here](#).

OVERVIEW

- **Domestic China stays on a bull run**
- **Firm China demand for imports to plug domestic shortfall**
- **Import discussions spike in line**

China [dominated](#) discussions in this week's Asian butadiene (BD) import market, after a domestic rally fuelled bullish buying for US dollar-denominated imports.

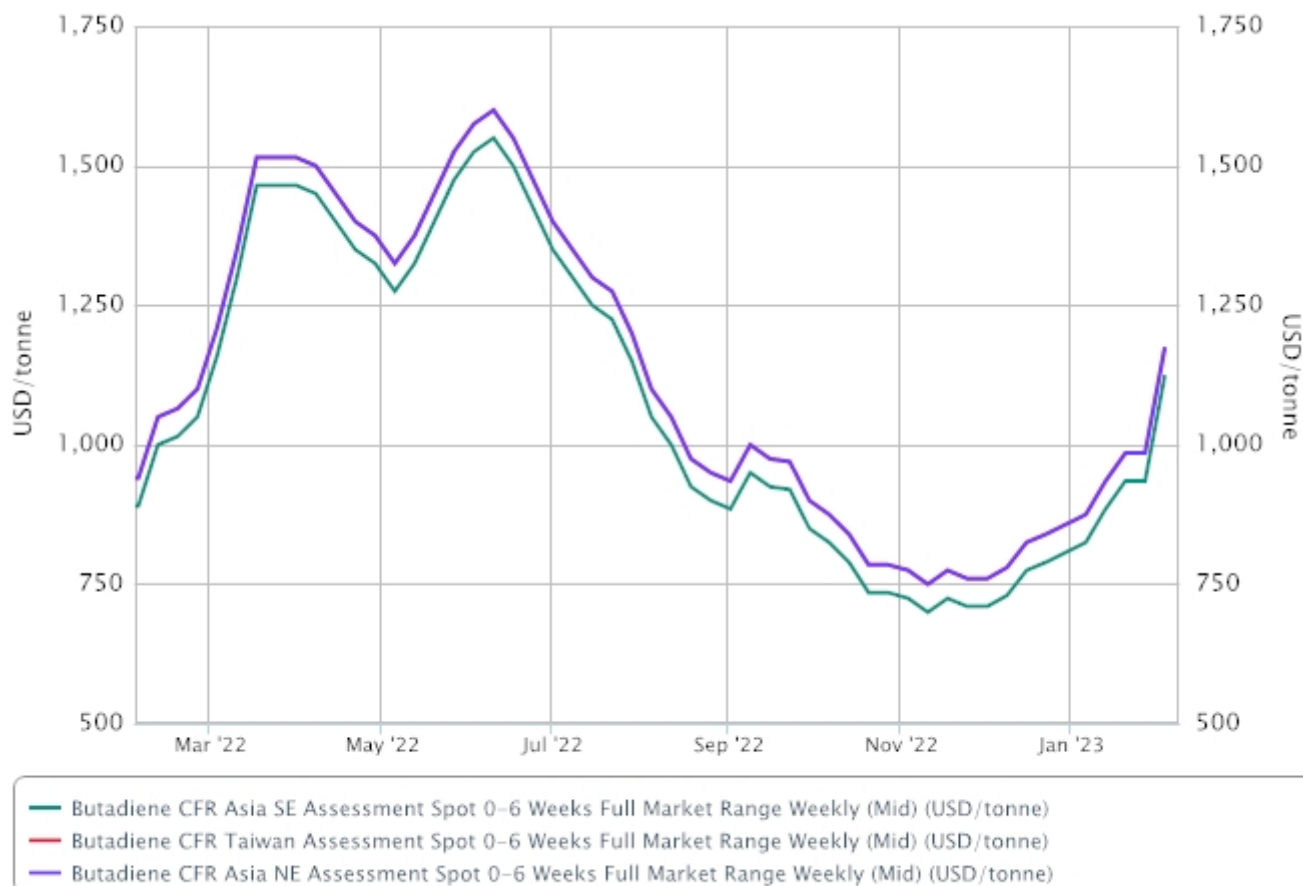
Domestic yuan-denominated prices for BD soared after the China market re-opened this week from extended Lunar New Year holidays.

Domestic spot sales picked up pace as various players, including local producers, wanted to stock up for an anticipated shortfall in domestic BD output once a heavy wave of cracker maintenance closures gets underway in the coming months.

Some also turned to tapping on the import pool for additional volumes. Supported by firm yuan values, they could bid more aggressively for imports, market players said.

Potential buyers in Taiwan and Korea were also on the look-out for spot volumes to substitute losses this year in term deliveries. These buyers said that they could not compete with China currently, as their own downstream markets could not afford it.

That said, some higher bids did emerge from these wider Asian players, although concrete discussions were limited especially with sellers turning to focus more on opportunities in China.



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OUTLOOK

- Supply expected to stay tight in the near term
- China will continue to drive import talks if yuan values hold firm
- Eyes on how downstream markets may trend under cost pressure

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+150	1100.00-1200.00	+150	800.00-880.00	49.90-54.43
CFR NE Asia	USD/tonne	+130	1100.00-1250.00	+250	800.00-950.00	49.90-56.70
CFR Taiwan	USD/tonne	+130	1100.00-1250.00	+250	800.00-950.00	49.90-56.70
CFR SE Asia	USD/tonne	+130	1050.00-1200.00	+250	750.00-900.00	47.63-54.43

China

There were no concrete FOB China discussions due to supply constraints.

FOB China assessments were notionally raised to keep pace with increases in domestic prices.

Domestic prices rose sharply on supply constraints. Major BD producer Sinopec raised its domestic list prices several times in the week, from yuan (CNY) 8,900/tonne on 28 January, to CNY9,400/tonne on 31 January.



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Northeast Asia

CFR NE Asia assessments spiked this week, with higher discussions for limited cargoes available to ship in February and March to different northeast Asian destinations.

The higher end of the range reflected discussions for China-bound shipment.

Chinese buying appetite for imports was propped up after domestic yuan prices rose strongly throughout the week.

A China producer issued a buy tender, seeking offers for cargoes available to ship in February and March to China.

It was not clear if any transactions transpired within the week under the ambit of this tender, but market players said that it drew offers in the mid-\$1,200s/tonne and up, on a delivered basis. This formed the high-end.

This also dovetailed with talk of a \$1,200/tonne FOB Korea offer for a March cargo, which would equate to, on a CFR NE Asia basis, about \$1,250/tonne, market sources said.

Separately, there was another February-lifting southeast Asia-origin cargo put up for sale via tender this week.

It drew bids from China-based buyers at around the mid-to-high \$1,100's/tonne CFR NE Asia. These bids were not successful, market sources said, and it remained unclear if the cargo was eventually sold for delivery to a northeast Asian port.

Another southeast Asia cargo was heard sold very early in the trading week for February delivery to China, at around the mid-\$1,000s/tonne CFR China. But as it was unclear if cargo specifications were within methodological requirements, this was not taken into account for assessments.

Market players also said that, given how discussions for CFR China trades had spiked in the second half of the week to well over the mid-\$1,100s/tonne, this trade was deemed overtaken by circumstances and was not reflective of mainstream tradable values for the week.

But for other northeast Asian outlets, discussions were not as active and upbeat as in China. The low-end tracked a higher bid heard for March delivery to Taiwan, but there was limited follow-up discussion as sellers turned to focus on the more buoyant sales opportunities to China.

CFR Taiwan assessments were adjusted with changes in CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne	Jan 23	Dec 22	Nov 22	Oct 22	Sep 22	Aug 22	Jul 22
Taiwan FPCC	855	755	755	795	885	1,025	1,255
Korea YNCC	905	795	755	745	920	983	1,315

Southeast Asia

CFR SE Asia assessments were adjusted in line with changes in CFR NE Asia assessments, in the absence of deals or discussions on CFR SE Asia terms.

A southeast Asia-origin cargo was put up for sale this week via tender. The tender was reportedly awarded at around \$1,100/tonne FOB Southeast Asia, although this could not be fully verified. It was also unclear where the cargo may be shipped to, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

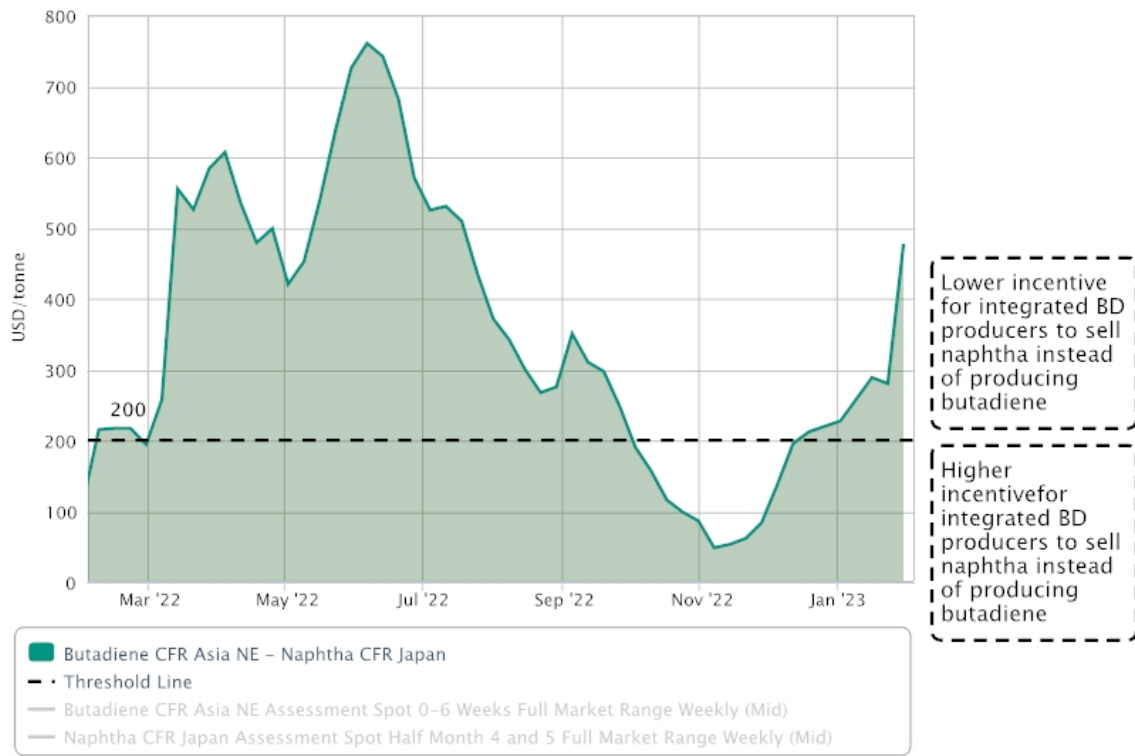
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-50	9100-9300	+50	n/a-n/a	-

UPSTREAM

Naphtha

- Modest demand cushions sentiment
- Lack of viable economics curtails western arbitrage flows
- Downstream margins poor

[Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia](#)



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Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

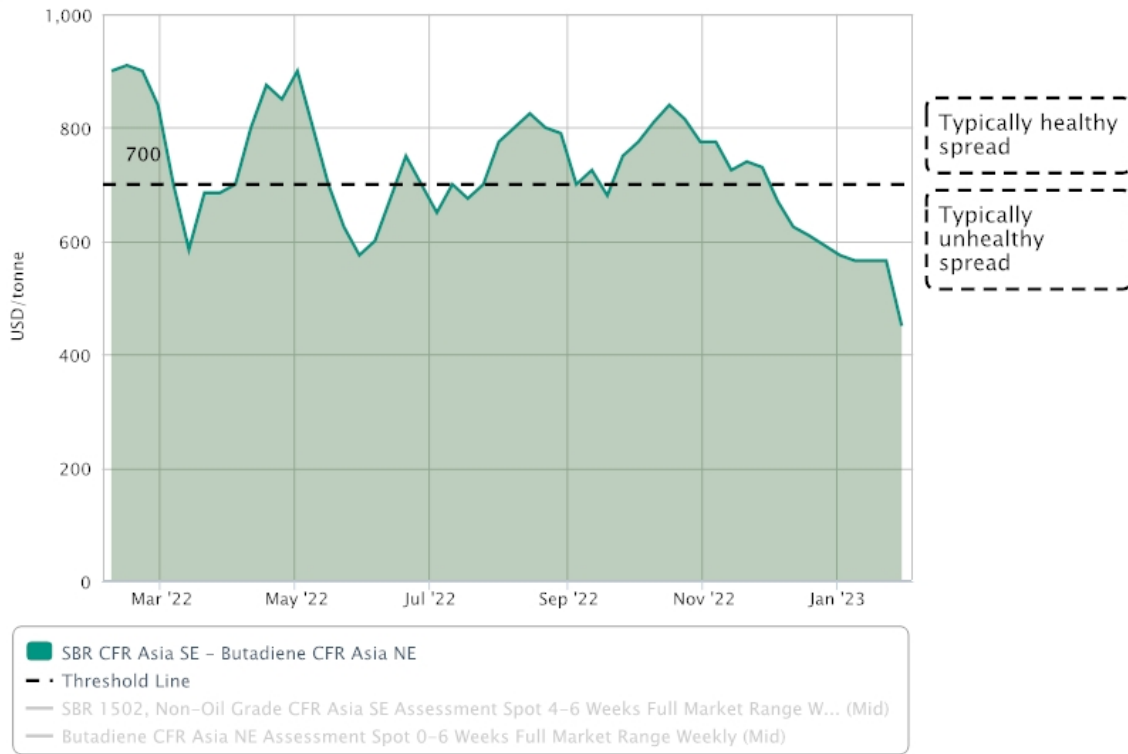
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Import offers up on cost push
- Domestic China prices also rise
- Demand sentiment improves

The chart below shows the spread between BD and SBR in Asia.

[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Acrylonitrile-butadiene-styrene (ABS)

- Import prices rise
- Stronger sentiment post-festivities
- Actual uptrend capped as downstream not fully back from holiday



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PRODUCTION

In northeast Asia, overall BD output is expected to remain capped in the near term, as weak margins continue to weigh on operating rates at many upstream crackers, forcing in turn some BD plant [closures](#) too.

There is also a wave of maintenance [closures](#) expected in the April to June 2023 window in South Korea.

Click [here](#) for the Asian BD Live Disruptions Tracker.

OTHER REGIONS

Europe

- February contract price rolls over from January
- Fundamentals unchanged – supply/demand largely in balance at low levels
- Active discussions for spot, but still waiting on developments in Asia

US

- February contracts flat
- Pipeline maintenance begins
- Supply sufficient despite maintenance as demand weak

ANALYTICS

ICIS Crude Outlook

OPEC+ increased production by 120,000 bbl/day in December, despite a previous decision to cut oil production quotas by 2m bbl/day in early November. Nigeria played a key role in the month-on-month increase by raising output by 91,000 bbl/day after improving security issues over major pipelines. Although Western sanctions are set impact Russian oil, both production and exports have remained in line with December levels because Russia found time to find alternative buyers in Asia. However, Russian production is expected to fall by about 500,000 bbl/day as EU embargoes and price caps on crude oil and oil products take full effect in February. In terms of demand, global oil consumption is likely to rise by about 2m bbl/day to hit 102m bbl/day in 2023, mostly driven by economic growth in China and a rebound in demand rebound after the easing of COVID-19 restrictions. Global oil demand is likely to be significantly affected by the trajectory of economic activity, with growth likely to increase later in the year.

By Greg Mouchikas, energy and refining analyst, grigorios.mouchikas@icis.com

ICIS Naphtha Outlook

Naphtha cracks in Europe improved considerably in January and remain deep in positive territory. European refiners have been running at higher rates to make up for an anticipated shortage in Russian supply once EU sanctions take effect on February 5. Naphtha stocks in northwest Europe increased by 14% month on month, in line with average monthly levels. Renewed strikes at French refineries and expected spring maintenances will reduce product availability in the region and

exacerbated by strong demand from the US Gulf Coast. Naphtha flows to Asia remain supported, driven by Chinese demand after the country's reopening and the lifting of COVID-19 restrictions in the run up to the Lunar New Year. ICIS expects Russian refinery throughput and the export of product to decline as a result of EU sanctions from February.

By Greg Mouchikas, energy and refining analyst, grigorios.mouchikas@icis.com

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