



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.

The FOB China and Chinese domestic yuan (CNY) prices will be assessed based on information collected up to 2 June in the weekly analysis on 3 June. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Short-covering buying in some NE Asian outlets**
- **Demand lacklustre elsewhere**
- **Buy-sell gap widens**

Asian spot discussions for butadiene (BD) were boosted by short-covering procurement in Korea and Japan.

Many crackers in these areas have cut operating rates, either on [economic considerations](#) or [technical grounds](#). This invariably crimped local BD output, prompting some to turn to procuring limited spot volumes to plug shortfall.

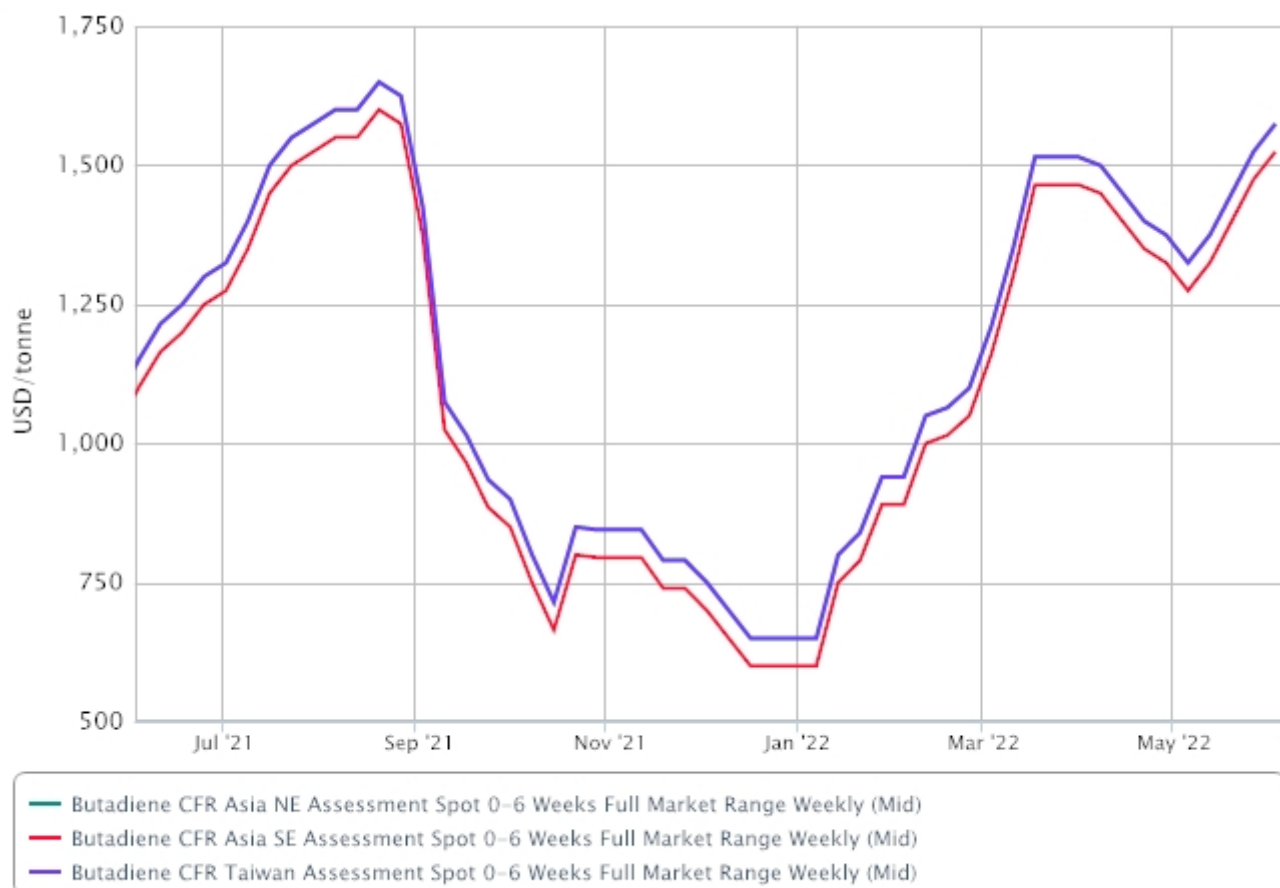
Buy-sell discussions were bullish for these trades, but market sources said that this demand could dissipate if and once cracker operations are restored.

Otherwise, [buying appetite](#) among other regular end-users, particularly those from the downstream styrene butadiene rubber (SBR) and acrylonitrile-butadiene-styrene (ABS) sectors, was visibly poorer.

They kept to lower pricing indications, and some turned to procuring alternative supplies from other non-Asia origins.

As a result, the buy-sell gap widened for this customer pool. These end-users were also heard mulling the need to trim their own operations to mitigate cost pressures. If this scenario materialises, regional BD demand will be suppressed in the longer run, market sources said.

Some buy-side elements are also confident that once new plants come on stream in the coming months, spot availabilities in the region will lengthen to temper offers.



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OUTLOOK

- Buying appetite likely to remain uneven across region
- Supply may lengthen once new plants start up
- Demand may waver with downstream operating rate cuts

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1500.00-1600.00	+50	1300.00-1400.00	68.04-72.57
CFR NE Asia	USD/tonne	n/c	1500.00-1650.00	+100	1250.00-1400.00	68.04-74.84
CFR Taiwan	USD/tonne	n/c	1500.00-1650.00	+100	1250.00-1400.00	68.04-74.84
CFR SE Asia	USD/tonne	n/c	1450.00-1600.00	+100	1200.00-1350.00	65.77-72.57

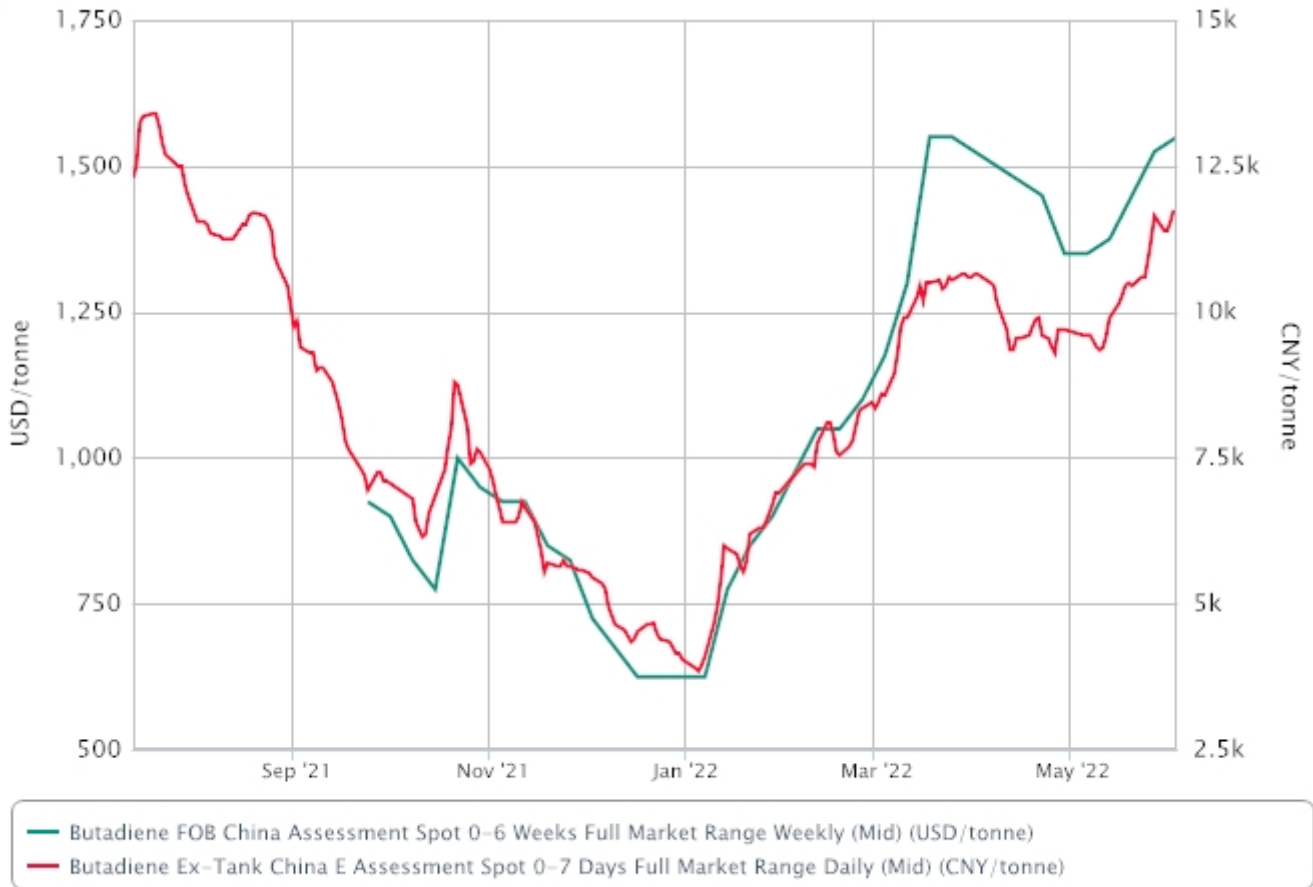
China

FOB China assessments were lifted at the high end with firmer offers heard.

The low end was kept unchanged with stable buying indications heard.

A deal transpired within the range.

In the yuan-denominated market, ex-tank prices in east China were firmer week on week, with sentiment supported by the buoyant export market.



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Northeast Asia

CFR NE Asian assessments rose on the high end with firmer deals, but the low end was kept constant to reflect the full spectrum of buy-sell talks in diverse regional outlets.

Two 1,000-tonne lots were sold for early July shipment to Japan, which formed the high end of the range.

Most regional end-users in other outlets held firm to prior buying indications, as these were levels similar to what some alternative deep-sea origin supplies have been indicated at.

CFR Taiwan assessments were adjusted up at the high end, in line with changes in CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021
Taiwan FPCC	1,360	1,415	1,355	1,040	795	780	885
Korea YNCC	1,445	1,445	1,335	1,015	835	645	800

Southeast Asia

The high end of the CFR SE Asia assessments was raised in line with changes to the high end of the CFR NE Asia assessments, and in the absence of fixed price transactions on CFR SE Asia terms.

A southeast Asia-origin cargo was sold in the week, via tender, for late June lifting. The deal was concluded on a floating basis, and the cargo is slated for delivery to northeast Asia, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

		Price Range		One Week Ago	/	
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	11500-12000	+400	11000-11500	-

UPSTREAM

Asia-Pacific **naphtha** markets were dampened by poor appetite for petrochemical production, amid weak downstream margins for olefins. Naphtha’s crack spread languished in negative territory at lows not seen in two years.

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia



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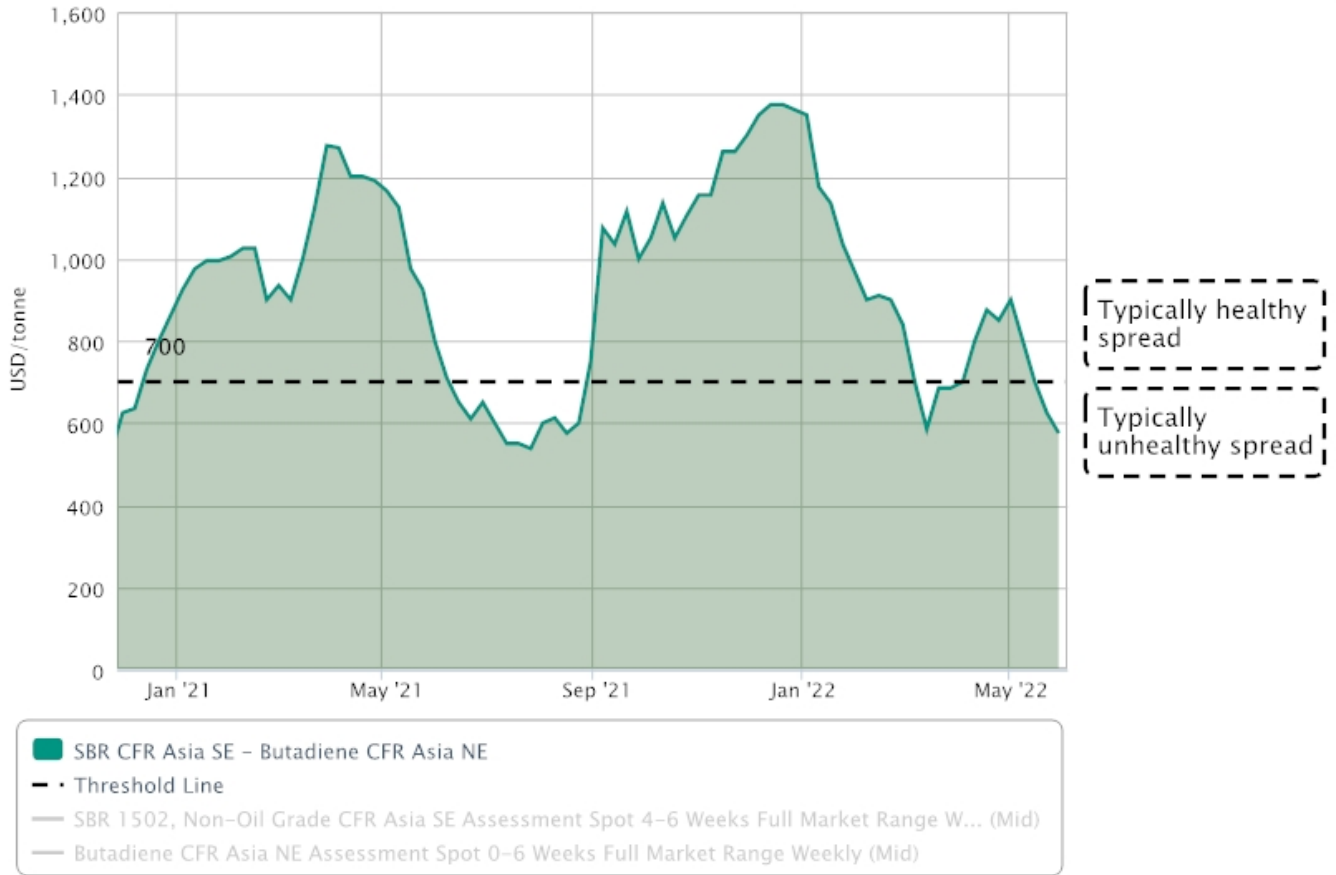
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asia’s spot import prices for **SBR** saw some upside support, as demand sentiment was buoyed by easing COVID-19 lockdowns in China. But spot trade liquidity is still curbed by a cautious outlook among regional end-users, amid lingering economic uncertainties.

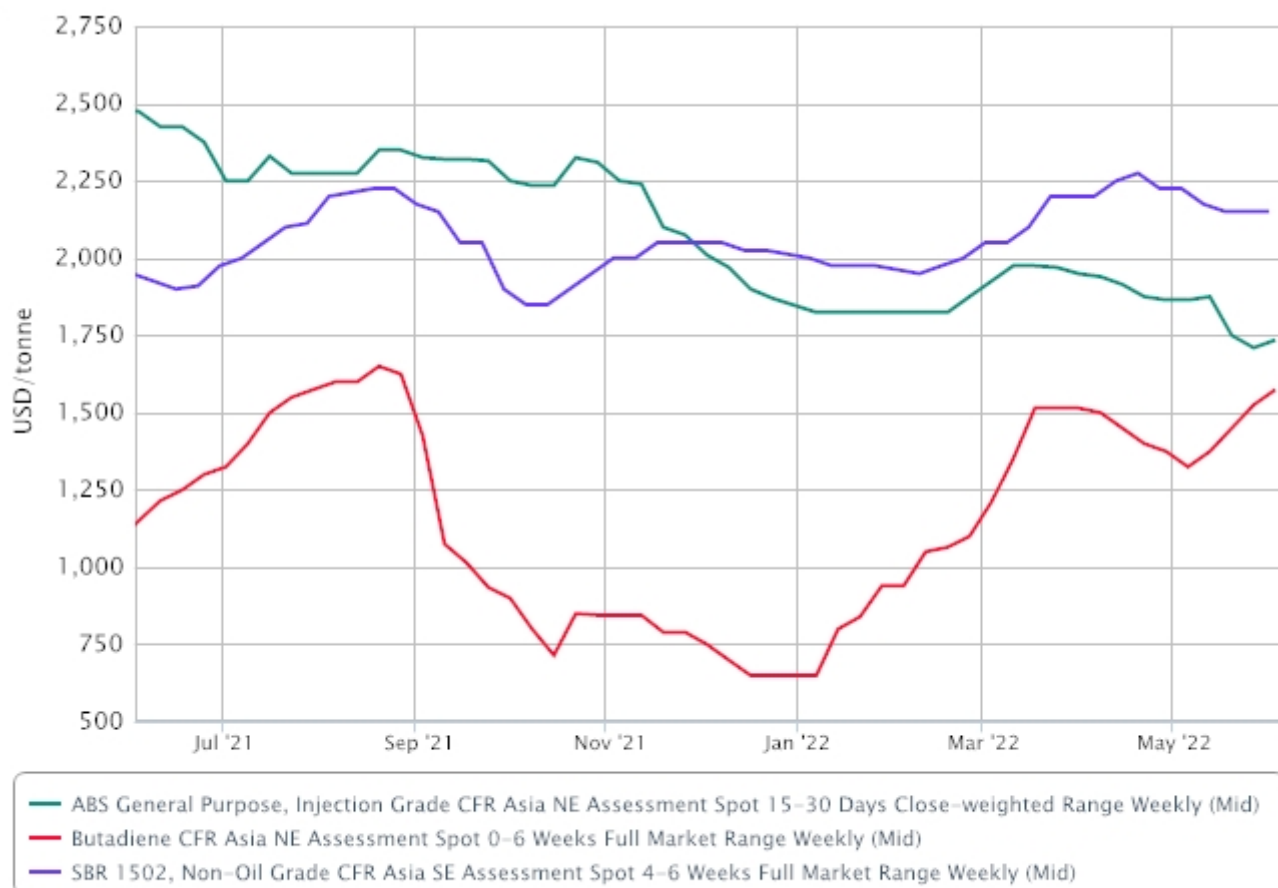
The chart below shows the spread between BD and SBR in Asia.

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



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The northeast Asian spot **ABS** import prices rebounded after falling for two weeks. Some deals surfaced late in the week at higher levels, tracking stronger projections of end-use consumption with the end of the lockdowns in Shanghai, China’s financial hub.



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PRODUCTION

Regional BD output is crimped in June, amid output cuts at upstream crackers, as well as ongoing maintenance shutdowns.

Supply further out may lengthen, not just with plants restarting from maintenance, but also if a 185,000 tonne/year unit in southeast Asia could [start up](#) smoothly within July, market sources said.

OTHER REGIONS

In the US, major butadiene producer TPC [filed](#) for bankruptcy protection.

Meanwhile, [June BD contracts](#) in the US settled at levels higher than May, despite largely unchanged demand and supply fundamentals.

ANALYTICS

ICIS Crude outlook

The EU has agreed to directly sanction Russian seaborne oil purchases. The phased nature of the proposed sanctions does mean that the overall impact on prices will be much more muted than previously expected, as it will give Russia time to find alternative buyers of its crude (eg India), therefore, Russia's overall exports may not be as negatively impacted in the long term as previous forecasts have noted. OPEC+ cuts agreement compliance is at 220%, indicating significantly lower production than its quotas allow. Oil demand growth is likely to be lower later in 2022, as global economic growth is now expected to be much lower than previous expectations. This is

primarily due to the combined effect of high inflation, high energy prices and higher interest rates. This will inevitably lead to lower oil demand growth from Q4 2022 and into early 2023.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Naphtha outlook

European naphtha supplies from Russia have reduced in recent months, from about 500,000 bbl/day in January 2022 to 330,000 bbl/day in April. Pre-war, Russia supplied Europe with about 50% of its naphtha imports. With sanctions now implemented on Russian naphtha exports, this will provide support to naphtha prices. Asian naphtha demand is particularly low, as lockdowns in China negatively impact gasoline blending demand, and poor olefins margins have also led to reductions in cracker run rates. As China exits lockdowns, both of these demand sources are expected to increase.

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