



Butadiene (Asia-Pacific)

By Ai Teng Lim
08-Oct-2021

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

The FOB China in the weekly analysis on 8 October will reflect business conducted on that day. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Prices extend losses**
- **Supply glut balloons**
- **Tepid demand**

Asian butadiene (BD) discussions continued to spiral down with a supply glut in the region.

Buying interest was muted, with most regional end-users heard already amply covered for their October requirements, and not ready as yet to deliberate on November purchases.

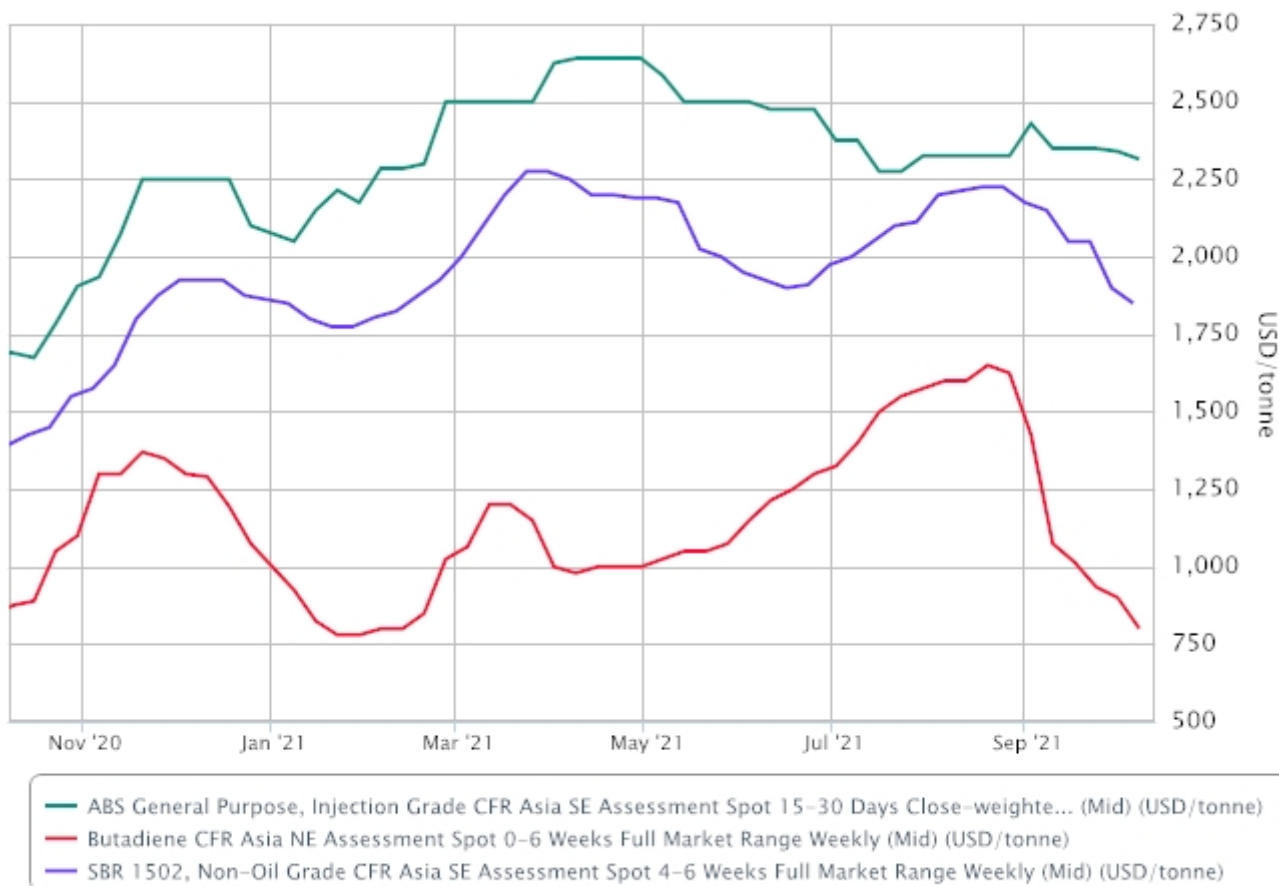
November requirements are not expected to be robust either, given that many regional plants in the key downstream synthetic rubber sector will undergo [maintenance](#) in the October-November window.

On the supplies front, more prompt supplies surfaced this week for sale, and market sources said that these were volumes displaced by unforeseen cuts in operating rates of some downstream plants in northeast Asia.

These include factories in China affected by an ongoing power crunch.

The likelihood of a near-term recovery in regional downstream operation seems low, market sources said, if China's commitment to its [dual control](#) policy does not waver.

Arbitrage trade opportunities also seemed to have tapered, alongside [faltering buying interest](#) in the US for BD imports. If this persists, it will mean one outlet less to digest the overflowing BD supplies in Asia, weighing down in turn more Asian spot talks for BD, market players said.



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OUTLOOK

- **Supply glut may widen with demand losses**
- **Power crunch may weigh on downstream production**
- **Outlook bearish**

ICIS analyst view

BD arbitrage trade to the US is theoretically workable, but much depends on US production and competition from Europe and South America. If US production recovers in December as expected, European cargoes are expected to head towards Asia, weighing down on market sentiment in November.

However, players prefer to conduct cross-region arbitrage trades on a floating formula basis, rather than on a fixed-price basis, and this could see milder price movements. Strong naphtha prices should also lend support to the market sentiment.

We expect increasing demand from new derivatives projects from Q4. One new styrene-butadiene-styrene block copolymer (SBS) plant in Fujian is due online in Q4, following the start-up of its upstream BD unit in August. Run rates at its neighbouring acrylonitrile-butadiene-styrene (ABS) plant, which started up in September, is expected to increase gradually in Q4. A new adiponitrile (ADN) plant is expected to start up by end-2021 in China.

By Ann Sun (ann.sun@icis.com)

For more information about analytical content, click [here](#).

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-100	750.00-900.00	-50	n/a-n/a	34.02-40.82
CFR NE Asia	USD/tonne	-100	750.00-850.00	-100	1000.00-1150.00	34.02-38.56
CFR Taiwan	USD/tonne	-100	750.00-850.00	-100	1000.00-1150.00	34.02-38.56
CFR SE Asia	USD/tonne	-100	700.00-800.00	-100	950.00-1100.00	31.75-36.29

China

Discussions were limited, as China was shut for holidays from 1-7 October.

FOB China assessments fell, tracking downside movements in the US dollar denominated import markets, as well as declines seen in the domestic yuan-denominated market on the first trading day post-holidays.

The high end reflects a lower selling indication heard, while the low end dropped in line with the changes seen in the low end of the import market, in the absence of any concrete buy-side indications.

East China domestic prices

Yuan-denominated prices fell on week, as energy shortage crimped downstream operations, weighing down in turn downstream sectors' off-take for feedstock BD.

Price (CNY/tonne)	8 October	30 September
DEL east China	6,900-7,000	7,200-7,300

Northeast Asia

CFR northeast Asian prices fell lower, tracking deals and discussions heard in the week.

A cargo was heard sold late week for end October/early November shipment to China, and this formed the low end.

Some other buying indications were heard throughout the week at levels substantially lower than the published range, but these were excluded as there was no concrete follow-up negotiations on them.

While even sell-side elements acknowledged that the supply-demand balance was increasingly skewed to their disadvantage, most were adamant not to price too low, taking into consideration other operational cost pressures, particularly recent [gains](#) in upstream naphtha prices.

The high end was dropped to reflect such sell-side sentiment.

CFR Taiwan assessments were adjusted down with changes in the CFR northeast Asian assessments.

Monthly Contract	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21
DEL, \$/tonne									

Taiwan FPCC	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880	950
Korea YNCC	1,050	1,650	1,470	1,245	1,010	987	1,102.50	827.50	867

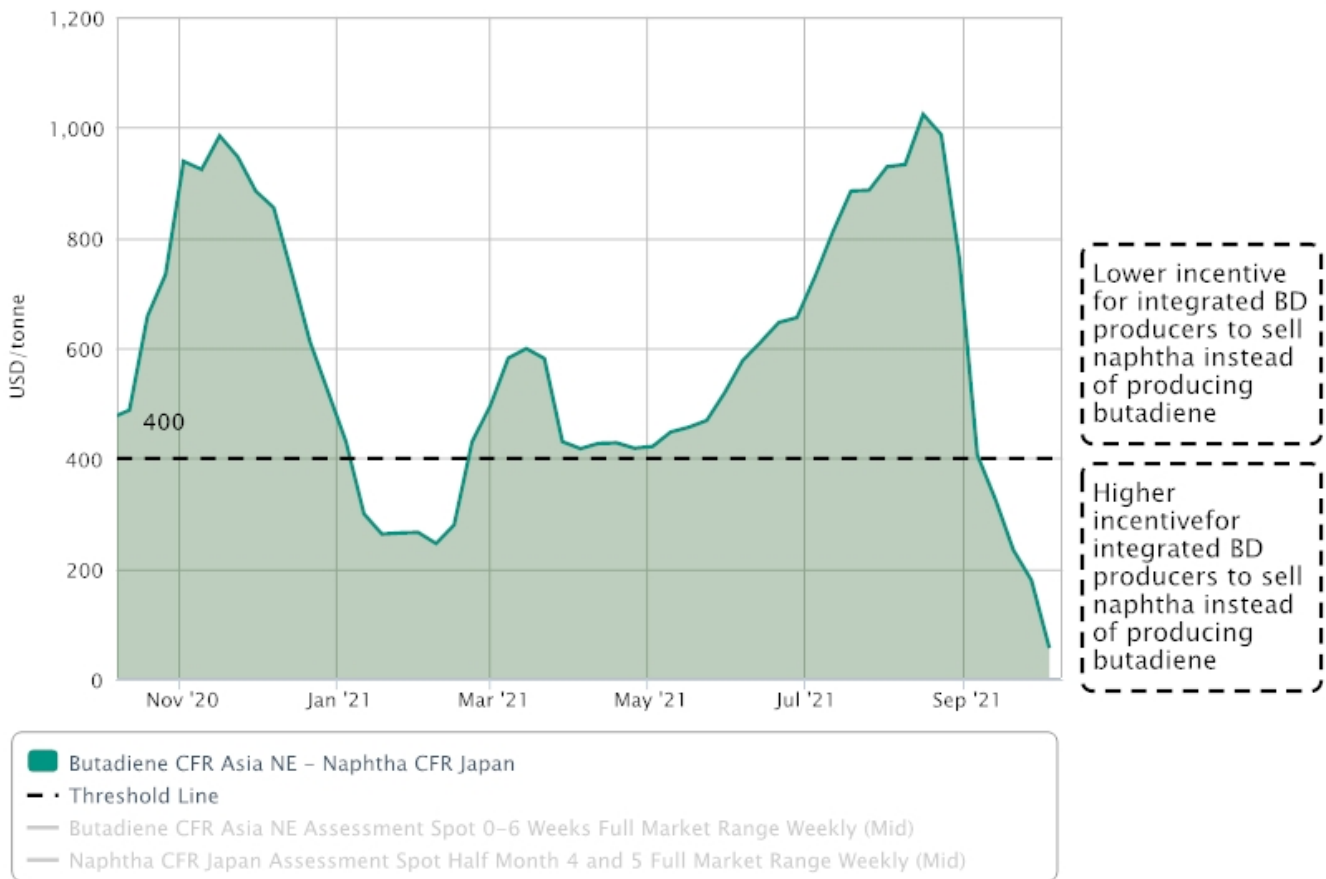
Southeast Asia

CFR SE Asian assessments were adjusted down too in line with changes in the CFR NE Asian assessments, in the absence of confirmed business on CFR SE Asian terms.

UPSTREAM

Asia-Pacific naphtha prices rose to multi-year highs alongside gains in global crude oil futures. Market expectations of relatively snug supply provided support, while stronger liquefied petroleum gas prices served to encourage naphtha demand as the preferred cracking feedstock for petrochemicals.

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



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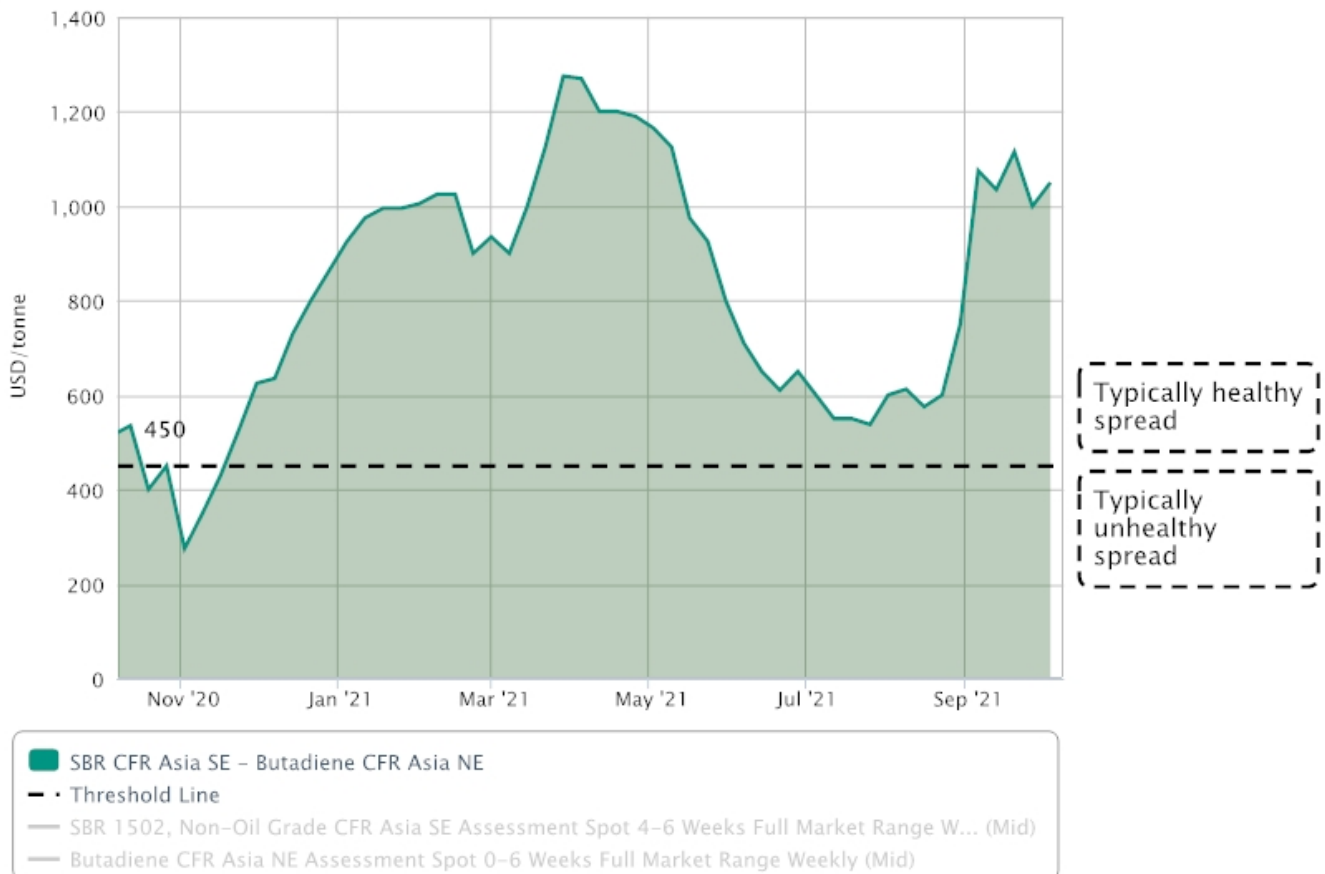
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene-rubber** (SBR) fell with persistently poor demand.

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

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



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Spot **acrylonitrile-butadiene-styrene (ABS)** import prices in Asia were largely lower, as downstream consumption continued to disappoint sellers during the traditional peak season.

PRODUCTION

A supply glut is building in the regional BD market, as apart from an abundance of prompt spot availabilities from existing producers, more cargoes may hit the market when production at several new and upcoming new BD projects stabilise.

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

ANALYTICS

ICIS Crude Outlook

The price of Brent rose in September, primarily because Hurricane Ida took a significant volume of US oil production offline, with up to 1.7 m bbl/day lost at its peak. Looking ahead, OPEC+ will continue its 400,000 bbl/day per month production cut tapering programme until the end of the year. Following this, ICIS does not expect OPEC+ to continue any additional tapering until summer 2022, unless prices remain persistently high. In the near term, the US may see further production issues if more hurricanes hit the US Gulf Coast in October and November. Indian oil demand is set to rebound strongly for the rest of the year. For example, demand for

gasoline has already breached pre-coronavirus levels. Many refineries are expected to increase run rates to 100% to meet this demand, with overall refinery throughput expected to be above 5m bbl/day before the end of 2021.

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

ICIS Naphtha Outlook

The northwest Europe naphtha-Dated BFOE spread has strengthened by 8% month on month in September due to a tight market and exacerbated by supply disruption in the US. The spread is expected to remain strong in Q4 due to expected lower supplies and firm demand as a petchem feedstock. US naphtha supplies could face further disruption in October and November as more hurricanes are expected to hit the US Gulf Coast. This could see millions of barrels per day of refinery capacity temporarily taken offline, as seen in September, and lead to naphtha supply disruptions, particularly to Asia. The Europe propane-naphtha spread has widened significantly in recent weeks, with a high of \$49/tonne seen in September. This was primarily due to an unusual price spike in the summer caused by low supplies of propane in the US. The spread is likely to remain wide as winter approaches, leaving naphtha as the cracker feedstock of choice through to summer 2022.

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

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