



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.

OVERVIEW

- **Domestic China continues to spiral down**
- **Import talks weighed down as such**
- **Buying tempo dampened by supply length**

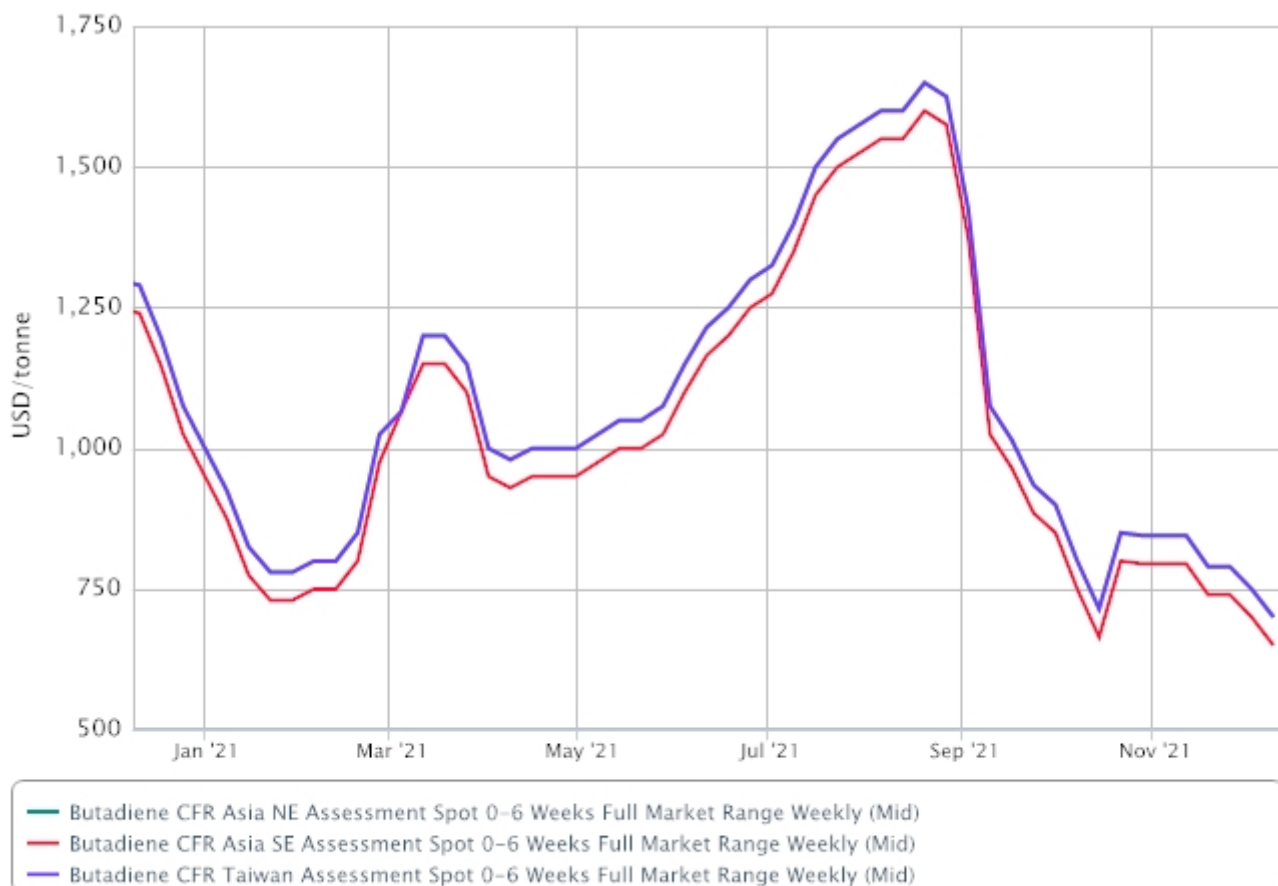
Losses in the Asian butadiene (BD) spot market widened, both for the domestic yuan-denominated values and for the US dollar-denominated import cargoes.

Supply length remains a key dampener for spot discussions, especially since substantive requirements are already well covered with prior purchases.

This week, a new BD project was started up in northeast Asia, at a time when sellers were heard hard pressed to find takers for existing December/January cargoes that were still unplaced.

Buyers have no pressing need to take in additional volumes, and as such pushed for wider discounts, failing which they said they are at ease to forego any fresh purchases.

With the year-end holidays drawing near, market players said that many end-users are also winding down and would likely refrain from engaging sellers much. Buyers were also convinced that the market is amply, if not excessively, supplied, and as such saw no urgency to finalise any fresh deals as yet.



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OUTLOOK

- **Supply glut may widen**
- **Demand could dwindle further with upcoming holidays**
- **Bearish sentiment may persist to year-end**

ICIS analyst view on butadiene (BD)

ICIS expects Asian butadiene (BD) supply to remain long in December with new BD projects starting up. Sinopec Zhenhai's 160,000 tonne/year unit is due online in Q1 2022, with commissioning starting by end-2021. Soft Chinese domestic prices are likely to weigh on market sentiment. Activity is likely to slow further in January 2022, as the market prepares for the Lunar New Year holiday.

Arbitrage trade to the US will continue to be an option, as Europe's exports to the US are expected to dip in light of planned spring maintenance. With price negotiations likely to start in January/February 2022, ICIS expects Asian producers to use the arbitrage as an opportunity to offset increasing supply.

Asian derivative producers are expected to restock inventories after the holiday to prepare for plant maintenances between March and May 2022.

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	-50	650.00-700.00	-50	900.00-950.00	29.48-31.75
CFR NE Asia	USD/tonne	-50	650.00-750.00	-50	790.00-900.00	29.48-34.02
CFR Taiwan	USD/tonne	-50	650.00-750.00	-50	790.00-900.00	29.48-34.02
CFR SE Asia	USD/tonne	-50	600.00-700.00	-50	740.00-850.00	27.22-31.75

China

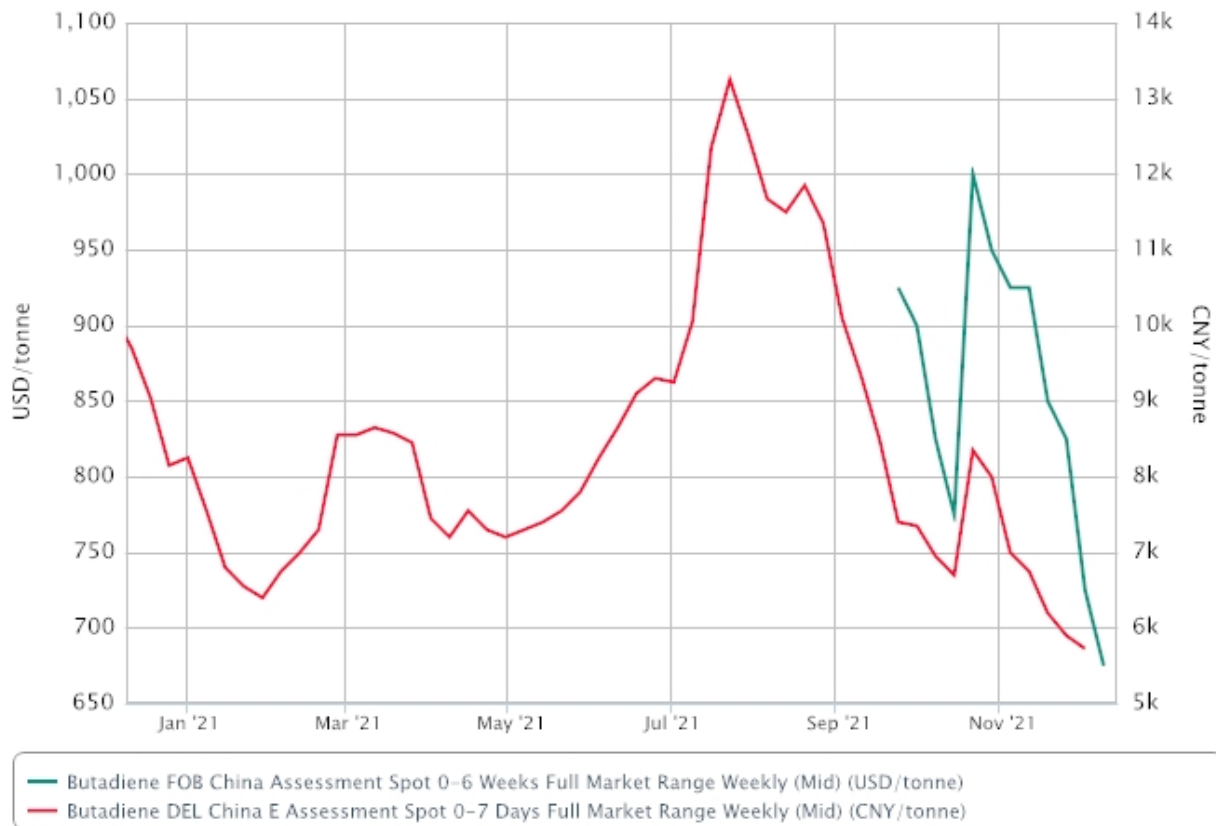
FOB China prices were assessed down, alongside losses seen in the domestic yuan-denominated market.

Substantive discussions were scant, as demand across the region was tepid to begin with.

East China domestic prices

Domestic China prices spiralled down lower, as sellers widened discounts to induce buying and relieve inventory pressures.

Price (CNY/tonne)	10 December	03 December
DEL east China	4,800-4,900	5,600-5,700



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Northeast Asia

CFR northeast Asian prices are also assessed down, taking into account the full spectrum of deals and discussions for diverse outlets across the region.

Buying interest is muted, limited to just a few players who, despite having no concrete buying requirements, may still have some tank storage space to accommodate fresh import purchases.

Buying indications were heard largely at the lower end of the published range, and some cargoes changed hands for late-December/early January at these levels in the week, market sources said.

However, regional BD makers largely held firm to levels at no less than the high end of the range, considering the fact that upstream naphtha prices were relatively stronger. Some BD makers were heard leaning towards co-cracking BD, rather than selling BD lower on the spot market.

The CFR Taiwan assessment was adjusted down in line with changes for the CFR NE Asia assessment.

Monthly Contract DEL, \$/tonne	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21
Taiwan FPCC	885	870	1,175	1,545	1,380	1,205	1,010	1,050
Korea YNCC	800	790	1,050	1,650	1,470	1,245	1,010	987

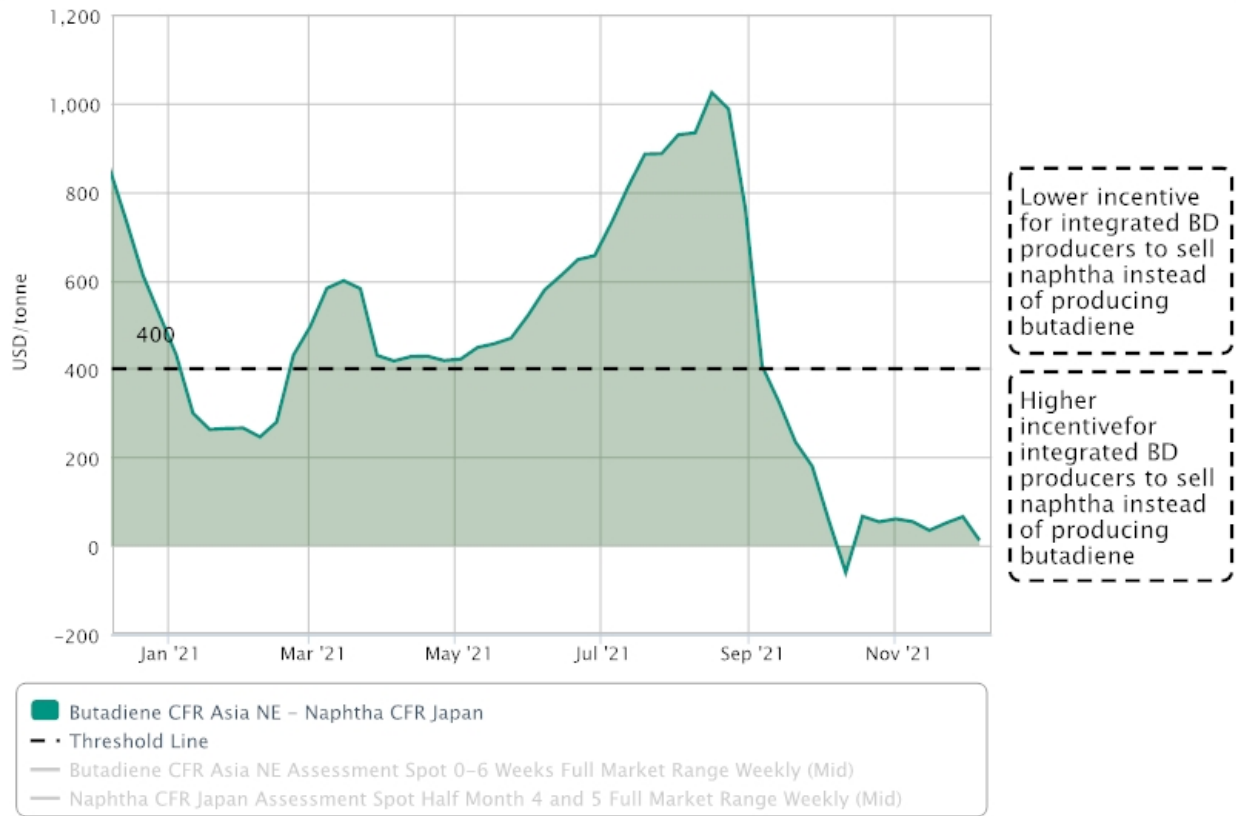
Southeast Asia

The CFR SE Asia assessment was adjusted down, in line with changes for CFR NE Asia assessment, in the absence of concrete business on a CFR SE Asia basis.

UPSTREAM

Asia-Pacific **naphtha** markets were buoyed by stable end-user demand for January supplies. The product's forward market structure held in a backwardation. Faltering liquefied petroleum prices amid a narrower spread against naphtha served to undermine demand for naphtha as a cracking feedstock.

[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)** discussions came [under pressure](#) on slowing demand.

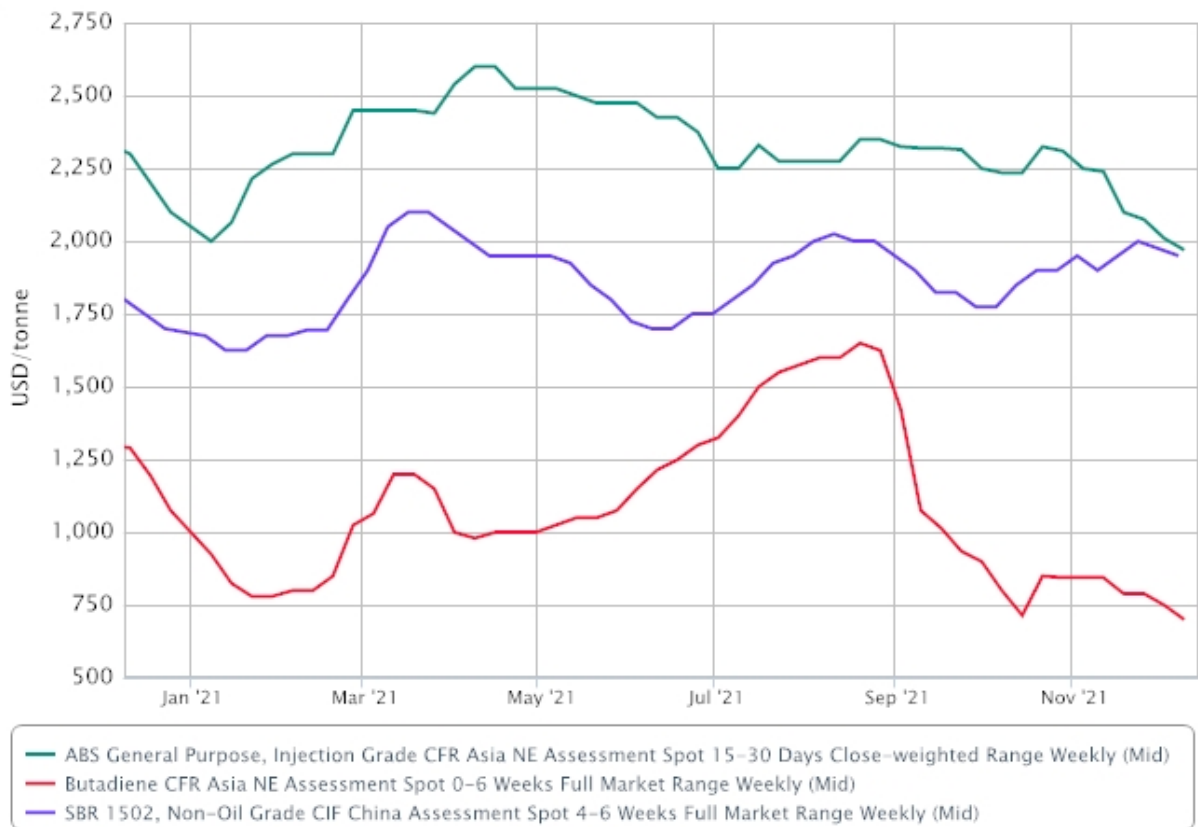
The chart below shows the spread between BD and SBR in Asia

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



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The spot **acrylonitrile-butadiene-styrene (ABS)** import prices northeast Asia fell for the seventh week. Derivative home electronics products, which make up about 80% of ABS consumption, typically face a demand slowdown towards the end of the year. As such, supply was also ample since the offtake rate was subdued.



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PRODUCTION

The regional BD market is structurally oversupplied, and apprehensions are building on how end-users could effectively digest output from several new and upcoming new projects in the region. This week, a 150,000 tonnes/year unit in Korea [attained](#) on-spec production.

In China, new projects such as the 140,000 tonne/year Fujian Gulei plant, and the 80,000 tonne/year Shouguang Luqing plant, also lengthened the domestic supply picture substantially, neutralising any output losses stemming from an ongoing planned [outage](#) at a 120,000 tonne/year plant in Quanzhou, China.

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

ANALYTICS

ICIS Ethylene Outlook

With the commissioning of three new ethylene units in the US and the expansion of Dow's cracker at Fort Saskatchewan in Alberta in 2022, overall ethylene capacity will reach 53m tonnes/year in North America, including Mexico. The fact that US production will outstrip demand implies US operators will continue to sell ethylene surplus on the merchant market. ICIS analysts estimate US exports will hover around 800,000 tonnes in 2022, a much higher figure than in 2021. In the first nine months of 2021, the US shipped only 460,000 tonnes of ethylene due to two extreme weather events which constrained commercial activities.

Next year, European ethylene demand is forecast to grow at an annual average rate of only 1.1%, although global ethylene consumption is likely to witness an average growth rate of about 4.7%, an increase not seen for several years. Nevertheless, some questions are still pending about the European ethylene industry outlook. Concerns over the lack of ethylene in the Italian supply chain might fuel some market turbulence next year. The planned closure of the cracker at Porto Marghera, Italy, will halt ethylene delivery to the derivative complex in Ferrara, which may be at risk of shutdown. Supply chain disruptions may also materialise in the UK because the reopening times of Sabic's cracker at Wilton, UK, are still uncertain, although production may be restored by the end of 2022.

Asia will continue to lead global ethylene capacity additions in 2022. With an increase of about 14%, Asian capacity will amount to almost 93.3m tonnes/year, achieving a world capacity share of 42.2%. Regional ethylene demand is forecast to hit about 75.2m tonnes, up by 5.4% from 2021. Thanks to new coming plants throughout 2022, China's overall 46.3m tonne/year capacity will exceed the equivalent of four regions' entire capacity: South America, Europe, former USSR and Africa. Nonetheless, China will remain a net importer albeit raising its self-sufficiency. According to ICIS estimations, Chinese net imports will hit 1.7m tonnes next year, down from almost 1.9m tonnes in 2020.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Propylene Outlook

ICIS forecasts that propylene demand in North America, including Mexico, will grow by about 3% year on year, potentially increasing from 14.9m tonnes in 2021 to 15.3m tonnes in 2022. Demand is likely to see a higher growth rate than production. In terms of capacity, in 2022, Dow is scheduled to bring on stream a new fluidised catalytic dehydrogenation (FCDh) unit of 100,000 tonnes/year at Plaquemine, Louisiana. Inter Pipeline should commission a 525,000 tonne/year integrated propane dehydrogenation unit (PDH) at Redwater, Alberta. The US will remain a net exporter of propylene, with about 380,000 tonnes expected to go to the merchant market, unless unexpected issues occur like this year. In the first

nine months of 2021, the US exported only 115,000 tonnes of propylene because two adverse natural events limited domestic production for several weeks.

Europe propylene demand may increase to 15.9m tonnes in 2022, up by almost 5% on 2021. However, the scheduled closure of Porto Marghera's cracker in Italy, probably in H1 2022, makes the destiny of the LyondellBasell's polypropylene (PP) units in Ferrara very uncertain. The coronavirus pandemic has delayed the entry into service of two new plants in Europe. Borealis' new standalone 750,000 tonne/year PDH facility at Kallo, Belgium, is now expected to start operations sometime in 2023 instead of late 2022 and will mark a decisive breakthrough on the domestic market. The country will reduce its reliance on imports, turning to a net exporter by 2025. An integrated 429,000 tonne/year PDH unit at Police, Poland, is now set to begin commercial operations in H1 2023. After the commissioning of the project, for several years ahead, Poland, which is a PP importer, is likely to shrink its PP deficit of almost 200,000 tonnes/year from a current average of about 600,000 tonnes/year.

In 2022, Asia is poised to add almost 9m tonnes/year of new propylene capacity, representing about 90% of new capacity worldwide. With an increase of 28% year on year, propane dehydrogenation (PDH) capacity will result in the fastest-growing process technology. Capacities of steam cracking, methanol to propylene and propylene recovery unit from refinery will grow, respectively, by 12%, 6% and 4%. China continues to boost domestic capacity in order to reduce its dependence on imports. As a result, ICIS expects that Chinese imports will hover around 2.5m tonnes in 2022, decreasing by about 600,000 tonnes from the 2019 peak.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Butadiene Outlook

For 2022, butadiene (BD) demand in North America, including Mexico, is likely to be about 1.82m tonnes, which is below pre-pandemic levels. In terms of production, Canada and the US, the only producers in North America, should total about 1.66m tonnes, down from 1.77m tonnes in 2019. Due to an improvement in regional supply and demand fundamentals, the BD deficit may shrink to around 160,000 tonnes in 2022. Preliminary trade data shows that the North America demand-production gap was around 212,000 tonnes in the first nine months of 2021.

Based on ICIS estimations, European BD production will reach 2.4m tonnes in 2022, increasing by 4.5% year on year. Demand is expected to grow by 6% from 2.1m tonnes in 2021, resulting in a higher growth rate than production. However, some uncertainties over the BD supply and demand balance are likely to emerge into 2022. UK production is estimated to stay around 20,000 tonnes, assuming that Sabic's cracker at Wilton will resume its operations by the end of 2022. That said, the BD unit may remain permanently closed. On the Italian BD industry front, the scheduled closure of cracker at Porto Marghera will stop crude C4 delivery to Versalis' BD extraction unit in Ravenna, which in turn may be at risk of shutdown.

In 2022, Asia is forecast to be responsible for about 61% of total BD production, up by 4% from 2019 levels. Five new plants will start their operations in China in 2022, with a total nameplate capacity of 680,000 tonnes/year. South Korea's new 90,000 tonne/year BD extraction unit operated by Lotte-GS Chemical is scheduled to start in Q2 2022. On the demand side, Asia should cover about 63% of overall BD demand, rising by about 3% from 2019. As consumption will continue to exceed production, Asia will remain a net importer.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

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