



## Butadiene (Asia-Pacific)

**By Ai Teng Lim**  
**10-Sep-2021**

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

ICIS plans to launch a new FOB China spot assessment to reflect and capture evolving trade dynamics in Asia from September 2021. Please send feedback and queries to [aiteng.lim@icis.com](mailto:aiteng.lim@icis.com).

### OVERVIEW

- **Prices [plummet](#)**
- **Prompt availabilities on the rise**
- **But demand poor**

Asian butadiene (BD) spot discussions sank deeper this week, as more prompt availabilities emerge at a time when regional demand remains under pressure.

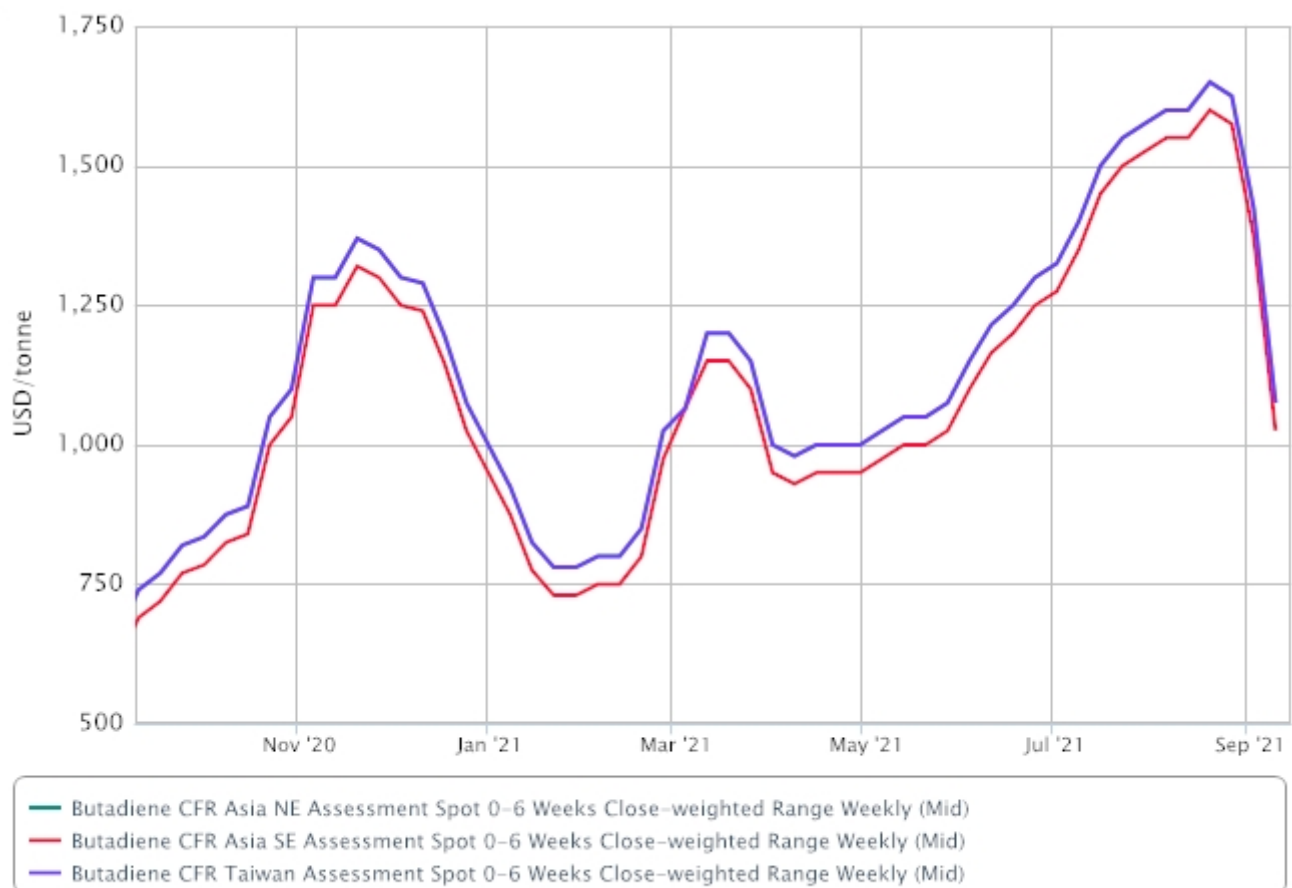
Several Asia-origin cargoes were sold for October shipment at levels sharply lower week on week.

Buying interest was tepid, with most regular regional outlets already amply covered for their near-term production requirements.

With downstream operations still widely [stifled](#) across the region on protracted pandemic-induced lockdowns, end-users were also reluctant to over-buy spot volumes, even if sellers were heard now more prepared than before to negotiate closer to their terms.

At the same time, spot availabilities grew, in part because downstream off-take had fallen below expectations, prompting some end-users to scale back also on their contractual volumes.

There is also no arbitrage sales opportunities this week, as potential buyers in the US retreated amid a recent influx of import arrivals.



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## OUTLOOK

- **Oversupply concerns to build**
- **Demand outlook hazy**
- **Prior US demand pull may dissipate too**

### ICIS analyst view on butadiene (BD)

In the butadiene (BD) market, the focus is on Asian regional demand in view of lower interest from the US market.

Asian demand from key sectors (tyre, shoes and gloves) is expected to remain slow for the rest of 2021 amid regional lockdowns and high container freight rates for exports. This, together with soft natural rubbers prices, might dampen the synthetic rubber market sentiment.

Zhangzhou Chimei's new 450,000 tonne/year acrylonitrile butadiene styrene (ABS) plant in Zhangzhou, China, started up in September, bringing additional BD demand. It is targeting full operations by end-2021.

Regional BD supply in Asia is expected to increase in Q4 2021 and Q1 2022, with new start-ups and a heavier cracker feed slate.

Following the start-ups of two sizable projects in China in August, three more plants (in the Philippines, China and South Korea) are starting up this year, representing 300,000 tonnes/year of BD capacity.

The start-up of Shouguang Luqing's 80,000 tonne/year BD plant remains uncertain on feedstock issues.

By **Ann Sun** ([ann.sun@icis.com](mailto:ann.sun@icis.com))

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

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>CFR NE Asia</b>	USD/tonne	-350	1000.00-1150.00	-350	1550.00-1650.00	45.36-52.16
<b>CFR Taiwan</b>	USD/tonne	-350	1000.00-1150.00	-350	1550.00-1650.00	45.36-52.16
<b>CFR SE Asia</b>	USD/tonne	-350	950.00-1100.00	-350	1500.00-1600.00	43.09-49.90

### Northeast Asia

CFR northeast Asian prices were assessed sharply lower, taking into account bearish deals and discussions heard throughout the week.

Buy-sell discussions were discernibly more robust earlier in the week, and the high-end reflects the lowest offer heard.

Transactions picked up more pace towards the end of the week, and several October shipment supplies were sold for delivery to China. The lowest deal-done level forms the low-end.

CFR Taiwan assessments were adjusted down, tracking changes in CFR northeast Asian assessments.

Monthly Contract DEL, \$/tonne	Aug 21	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21
Taiwan FPCC	1,545	1,380	1,205	1,010	1,050	1,135	880
Korea YNCC	1,650	1,470	1,245	1,010	987	1,102.50	827.50

### East China domestic prices

In China, yuan-denominated prices continued to slide under poor downstream demand.

Price (CNY/tonne)	10 Sep	03 Sep
DEL east China	9,200-9,300	9,500-9,700

### Southeast Asia

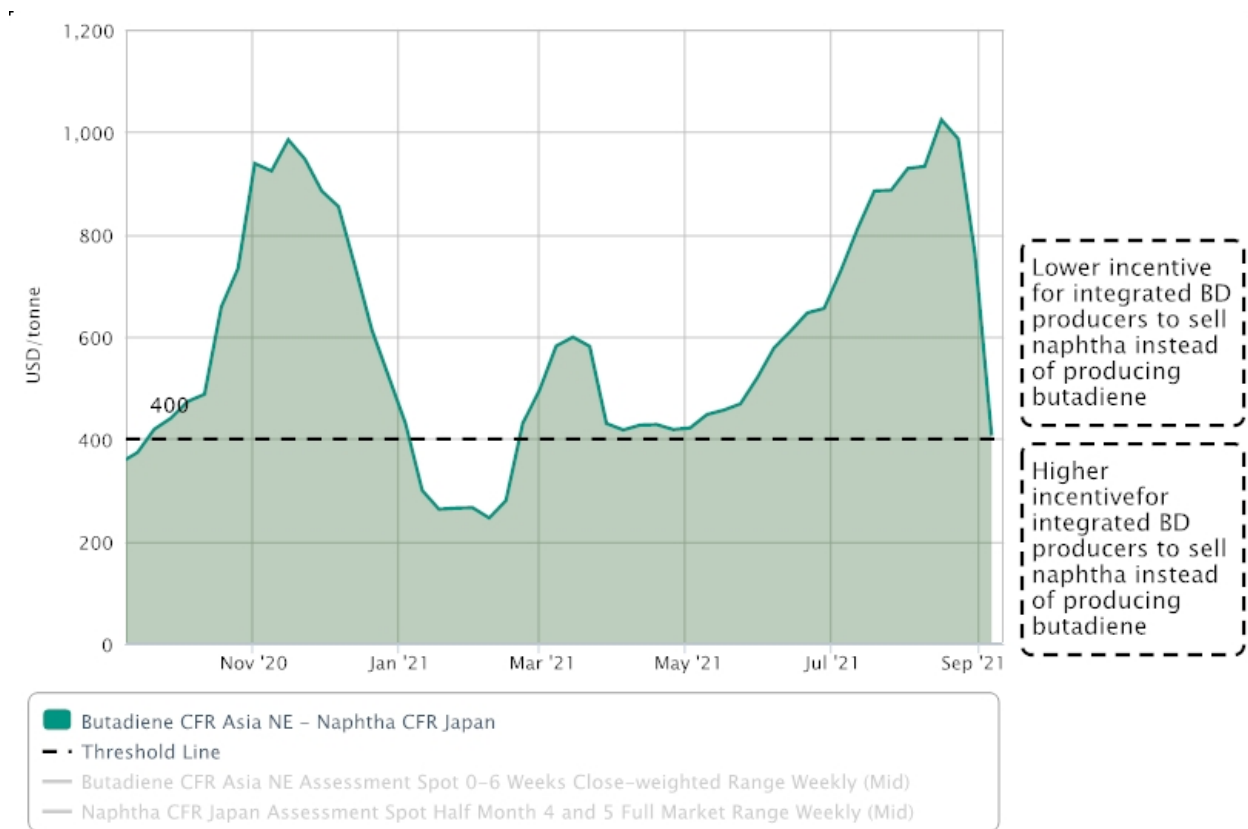
CFR SE Asian assessments were adjusted down with changes in the CFR NE Asian assessments, in the absence of any concrete discussions or business on CFR SE Asian terms.

Some southeast-Asia-origin cargoes were heard available for October shipment sales, but drew no viable or concrete response from buyers, market sources said.

## UPSTREAM

The Asia-Pacific naphtha market was cushioned by stable demand for petrochemical production. Potentially less Western arbitrage cargo arrivals this month following disruptions caused by Hurricane Ida in the US offered support to sentiment, while naphtha’s market structure widened slightly in backwardation.

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



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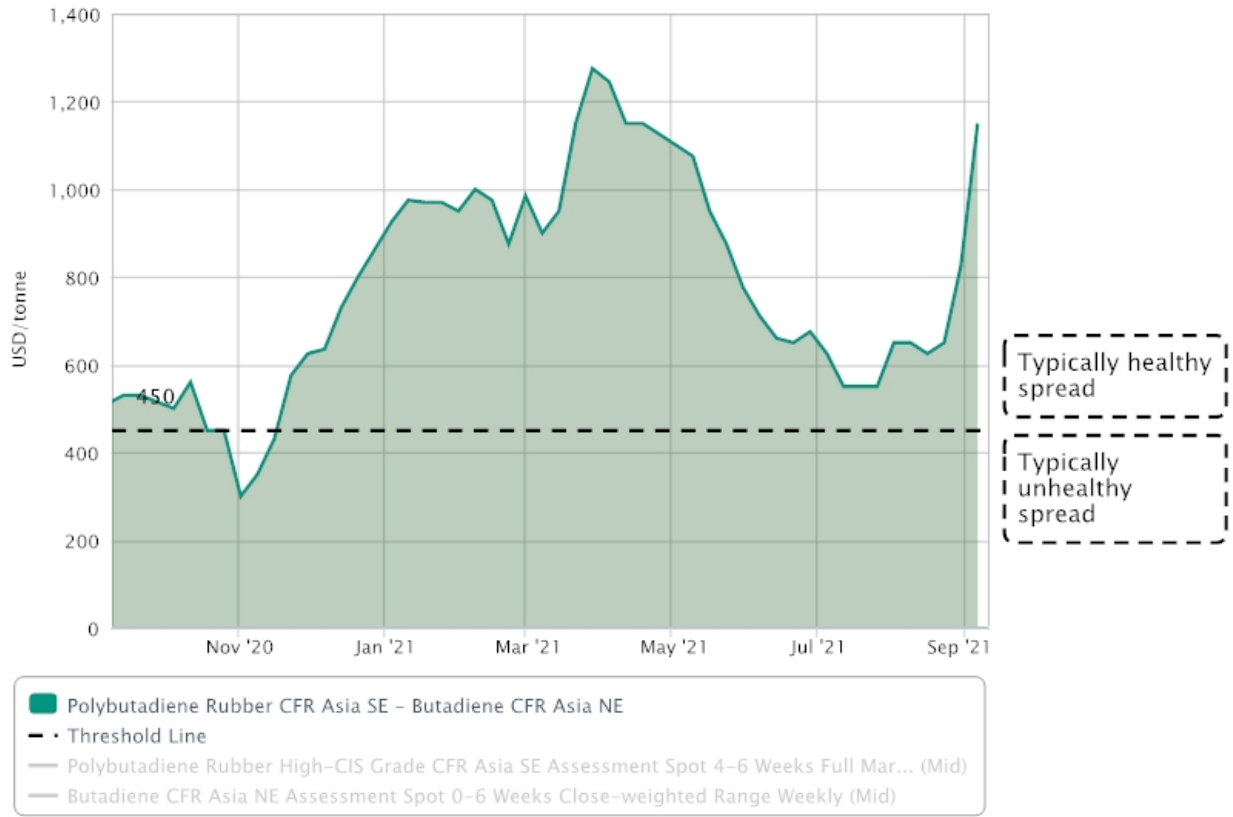
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

Discussions in the Asian **styrene-butadiene-rubber** (SBR) spot market remains under pressure of low demand.

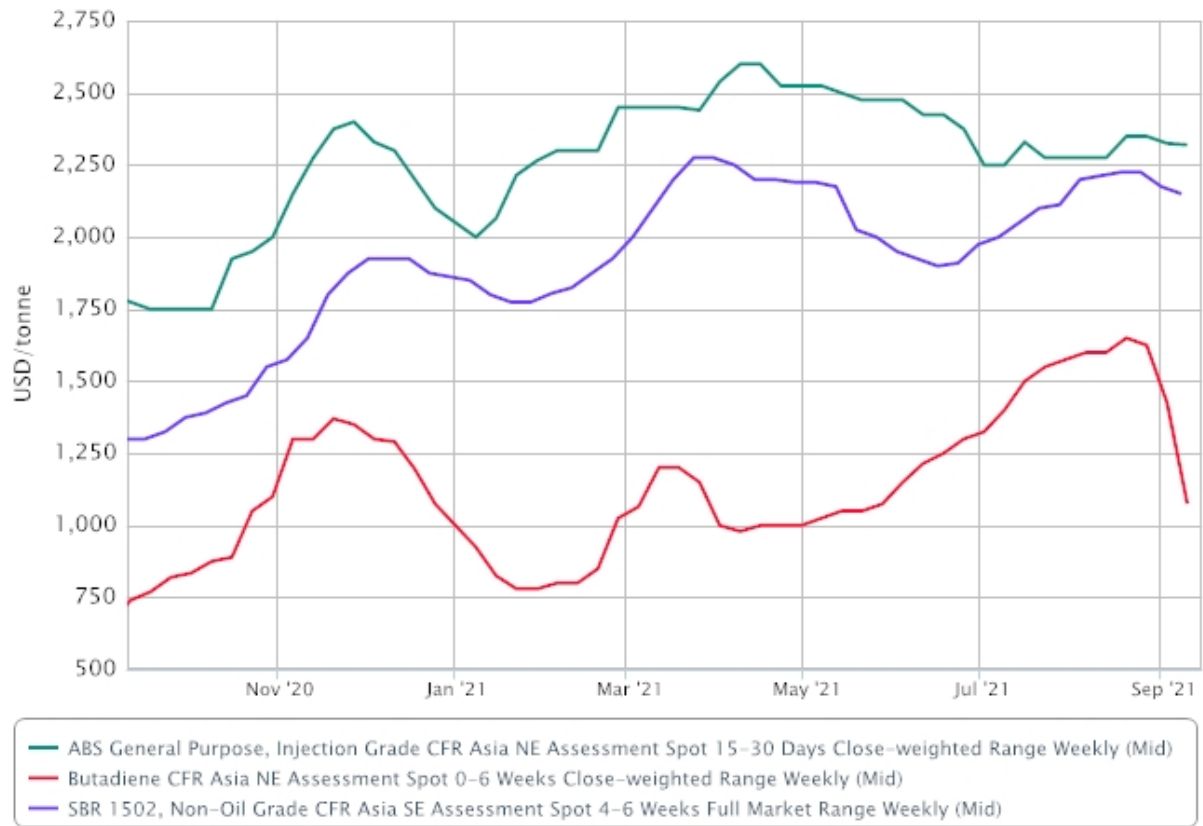
The chart below shows the spread between BD and SBR in Asia

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



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Asian **acrylonitrile-butadiene-styrene** (ABS) discussions softened on muted demand.



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**PRODUCTION**

The regional BD market is poised to [lengthen](#), once supplies from several new and upcoming regional BD projects emerge, possibly by Q4 of 2021.

Meanwhile, domestic production in China is set to recover with several local plants due to restart from maintenance later this month.

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

## ANALYTICS

### ICIS Crude Outlook

OPEC+ will continue their programme of tapering output cuts by adding 400,000 bbl/day each month until the end of the year. In the near term, the high likelihood of hurricanes during September and October may lead to production issues in the US. This disruption could lead to millions of barrels per day in production outages, as seen earlier this year. On the demand side, vaccination programmes are expected to continue to be successful, particularly in the US, China and Europe. However, demand going forward is expected to fall in Q4 compared with the summer, as the driving season ends. Future oil demand is also under threat from rising COVID-19 cases in Europe and southeast Asia. If cases continue to rise, new restrictions may be imposed, which could limit demand growth during a period of rising supply. Additionally, concerns have recently risen over the US Federal Reserve potentially ending their asset purchase programme earlier than expected, which could prompt bearish sentiment for commodity and financial markets if implemented.

By **Ajay Parma**, Senior Analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

### ICIS Naphtha Outlook

The price of naphtha fell in August, in line with crude. However, the European naphtha crack increased by 6% month on month due to strong demand in the gasoline blending markets. That said, gasoline demand will likely wane in Q4, which will then put pressure on the naphtha crack. If COVID-19 cases continue to rise and new restrictions are imposed in southeast Asian countries, gasoline demand may be further hampered and naphtha demand could slide in the near term. However, the European LPG-naphtha spread has reached into positive territory recently, due to high propane prices. This will firm naphtha's place as feedstock of choice for petrochemical producers for the foreseeable future. In addition, imports to Asia from Europe are likely to be constrained somewhat by high freight prices.

By **Ajay Parma**, Senior Analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

### ICIS Ethylene Outlook

Hurricane Ida damaged several refining and petrochemical complexes in Louisiana, causing power outages at most plants. Although Winter Storm Uri was more devastating, Ida caused the shutdown of about 6.4m tonnes/year of ethylene capacity, according to ICIS estimates. As a result, total ethylene production in September should be constrained and will depend on the duration of the outages. Baystar's new cracker in Texas is ramping up with on-spec production expected this month. Nevertheless, in October, rather than September as previously projected, the accumulated production of ethylene in 2021 is likely to outpace the level seen in 2020.

The EU economic sentiment indicator (ESI) appears to have peaked in July, after a drop in August. The ESI should gradually decrease in the next few months on a seasonal basis and reduced optimism about economic activity and growing concerns about the Delta variant. A lengthening ethylene market in

Europe in September, particularly H1, will be because most crackers are online except for two plants. In addition, two crackers – one in Germany and the other in Norway – will undergo planned maintenance sometime in September. Increased global capacity for the rest of 2021 and typical weakness in domestic monomer demand may trigger bearish sentiment in Europe. Nevertheless, autumn maintenance work may cause supply disruptions, particularly in October, and raise concerns as usual, about a possible delay to restarts.

Following a resurgence of COVID-19 infections, the Japanese government is planning to extend a state of emergency until the fourth week of September. The world's fourth-largest economy grew at a slower pace than its rivals in H1 2021, and the outlook remains grim for the rest of the year due to lengthy restrictions imposed. Against this backdrop, Japanese ethylene production is forecast to hit almost 6.2m tonnes in 2021, a recovery from levels seen in 2020, but below the 6.4m tonnes produced in 2019. Going forward, ethylene exports are expected to decrease because of new plants in China and South Korea and growing imports from the US into Asia.

By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

### **ICIS Propylene Outlook**

Hurricane Ida-related propylene capacity outages in the US hit about 3m tonnes/year, according to ICIS estimates. As a result, propylene availability is likely to be limited in September, exacerbating the current supply tightness. In terms of trade, US propylene should see a reduction in net exports to deep-sea in 2021 compared with 2020. Increased Asian capacity and high US propylene prices are expected to be the main drivers behind the contraction.

The European propylene market is expected to be balanced to long, especially in H1 September. The rest of the year may be characterised as bearish. Propylene production, as well as ethylene, is forecast to decrease in Q4 from Q3 on a typical seasonal basis, although the propylene-to-ethylene production ratio should increase. This will reflect higher naphtha usage as feedstock for crackers, which typically yields more propylene per tonne of ethylene output. Heading into 2022, total European propylene capacity should increase. Two cracking expansions in Germany and Slovakia and the restart of TotalEnergies' Donges refinery in France, may ease domestic market pressure.

The recent surge in Delta variant infection rates in Japan may cool its economic recovery in 2021, which is the weakest among advanced countries. That said, Japanese propylene production is likely to total about 5.3m tonnes in 2021, up on the 5m tonnes in 2020, but down from the 5.5m tonnes it produced in 2019. In addition, 2021 will see a lighter cracker maintenance slate than last year, with only Eneos Corporation, Asahi Kasei Mitsubishi Chemical Ethylene and Chiba Chemical Manufacturing planning turnarounds. With 6.4m tonne/year of propylene capacity, Japan is the fourth largest producer in Asia, but its domestic producers remain vulnerable to a shortage of feedstock and must compete with new South Korean and Chinese crackers.

By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

### **ICIS Butadiene Outlook**

Hurricane Ida took about 20% of total US BD capacity offline and affected already constrained production, which is forecast to remain below 2020 levels. According to preliminary data, the US imported about 126,000 tonnes of BD in the first seven months of 2021, about the same amount as it imported for the whole of 2020, and there are expectations that between 200,000 and 250,000 tonnes will be imported by the end of the year. However, the US BD market is likely to be affected by vehicle

production cuts. Indeed, carmakers Ford, General Motors and Nissan have slashed plant operating rates for September due to the ongoing global microchip supply shortage.

European BD producers may continue to look at the tight US market as an attractive outlet for the next few weeks. This may arise from supply disruptions due to the ongoing autumn maintenances and tropical storm-related problems. For European BD producers going forward, trading opportunities to the US are expected to be limited throughout 2022. The route to Asia appears technically closed for next year, given that European BD prices will continue to be unworkable for Asian buyers. Nevertheless, increased BD capacity worldwide will ease pressure on the European market. Apart from greenfield plants in China and South Korea, Yansab will install 136,000 tonnes/year of new capacity at Yanbu, Saudi Arabia, in 2022.

Japanese automakers are cutting domestic and global production in September in response to a persistent lack of semiconductor components. Toyota will decrease worldwide vehicle production by 40% this month. Daihatsu, a Toyota subsidiary, confirmed the closure of manufacturing plants in Osaka and Oita prefecture to mid-September. This is likely to negatively impact the domestic BD market. Based on ICIS estimations, Japanese BD production will total around 850,000 tonnes in 2021, up from 785,000 tonnes in 2020, but down from the 888,000 tonnes it produced in 2019.

By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

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