



Butadiene (Asia-Pacific)

By Ai Teng Lim
11-Mar-2022

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

OVERVIEW

- **Uptrend continues with [bullish offers](#)**
- **Domestic China also spikes**
- **Wide buy-sell gap crimps trade**

Sentiment in Asian butadiene (BD) spot talks remained buoyant, supported by strong performance in the domestic yuan-denominated market in China and a shrinking pool of prompt supplies.

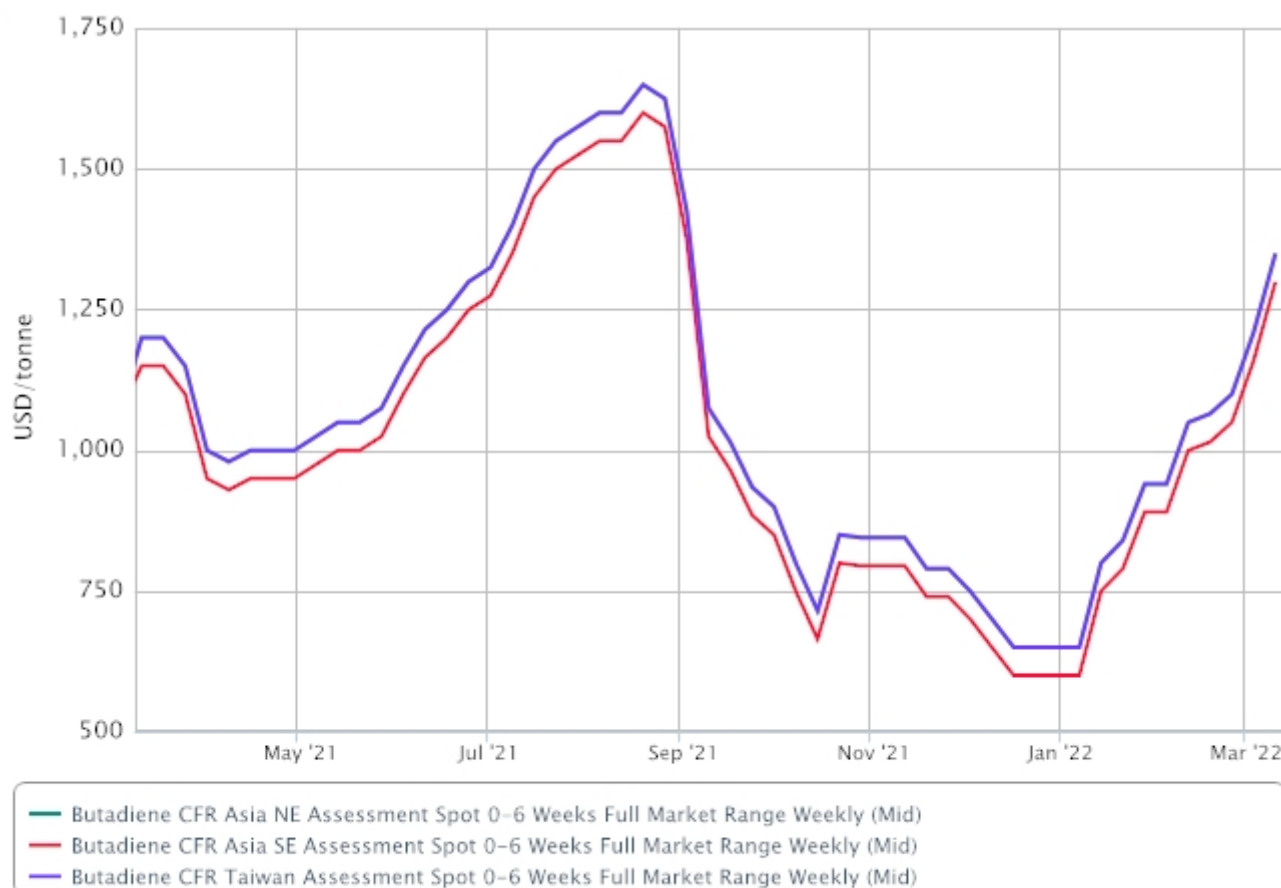
In China, domestic yuan values of BD rose over 15% week on week, as local supplies tightened following output cuts at several major crackers.

In wider Asia, the situation is similar, as regional BD output is expected to drop after more regional producers made plans to [lower cracker operations](#) in April to mitigate cost pressures arising from the recent rally in [crude](#) and [naphtha](#) prices.

Market players said there was thus a flurry of buying enquiries this week for April BD shipment supplies, as customers affected by the reduced cracker operations sought to secure replacement volumes.

However, there was no concrete transactions heard in the week, due to a wide gap in buy-sell pricing indications.

Sellers raised their targets, citing the need to recover higher production costs, while buyers said they were limited by poor margins and lacklustre demand in their own downstream markets to raise bids any higher for BD cargoes.



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OUTLOOK

- Prolonged cracker op rate cuts will crimp supplies
- Cost pressures may climb amid sustained geopolitical tensions
- Tensions may weigh on downstream demand

ICIS has analysed the potential impact of disruptions to Russia chemicals and polymers exports from international sanctions and logistics issues. While Russia's capacities on a global scale are relatively small, they can still have a significant impact on regional markets if these exports are disrupted. Russia has ramped up export capacity in some key products in recent years. See if supply disruptions could impact your markets:

<https://infogram.com/russia-exports-graphic-1hzj4o3e1v9j34p>

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+100	1250.00-1350.00	+150	1000.00-1100.00	56.70-61.24
CFR NE Asia	USD/tonne	+150	1300.00-1400.00	+130	1000.00-1100.00	58.97-63.50
CFR Taiwan	USD/tonne	+150	1300.00-1400.00	+130	1000.00-1100.00	58.97-63.50

CFR SE Asia	USD/tonne	+150	1250.00-1350.00	+130	950.00-1050.00	56.70-61.24
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China

FOB China prices rose, with the high end lifted amid offers heard.

Buying indications were limited, and heard capped at the low end.

Domestic China prices spiked, on buoyant domestic trades.

Price (CNY/tonne)	11 March	04 March
DEL east China	10,000-10,200	8,650-8,800



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Northeast Asia

CFR northeast Asian prices also rose, tracking firmer buy-sell pricing indications heard in the week, although no fresh deals materialised.

Offers climbed in the course of the week, as sellers sought to keep pace with recent cumulative gains in upstream prices.

Even though crude futures slid towards the end of the week, sellers held firm to their offers, citing support from the fact that prompt availabilities were limited in the wake of cracker production cuts.

The lowest offer heard in the week formed the high end of the range.

The low end reflects buying indications heard, and market sources said that ongoing negotiations were protracted and not yet conclusive, amid the wide buy-sell gap.

CFR Taiwan prices were raised in tandem with changes in the CFR NE Asian assessment.

Mont hly Contr act DEL, \$/ton ne	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21
Taiwan FPCC	1,040	795	780	885	870	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880	950
Korea YNCC	1,015	835	645	800	790	1,050	1,650	1,470	1,245	1,010	987	1,102.50	827.50	867

Southeast Asia

CFR SE Asian prices were adjusted in line with changes in the CFR NE Asian assessment, in the absence of any concrete transactions.

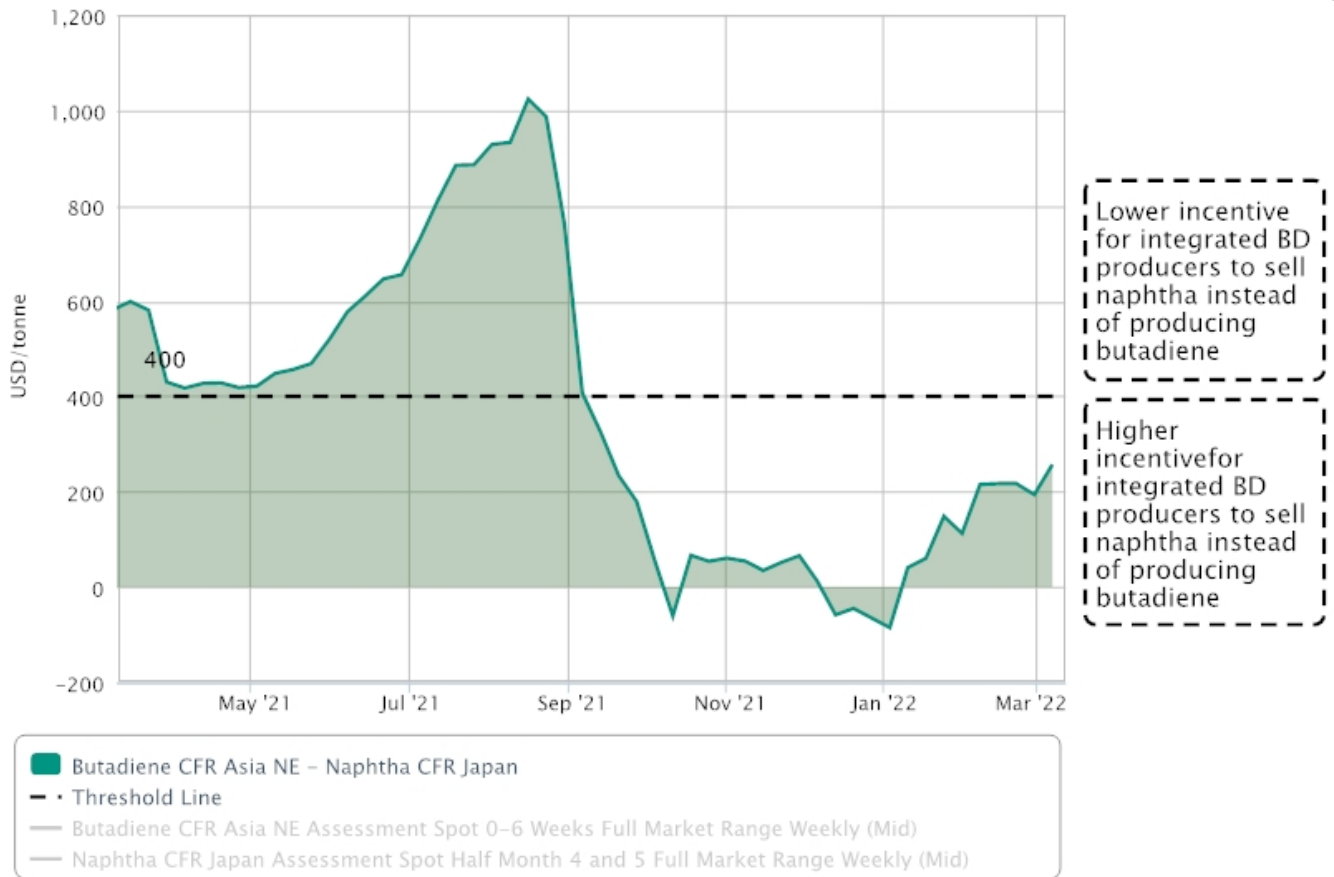
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	9800-10000	n/c	8550-8600	-

UPSTREAM

Asia naphtha prices fluctuated from 2008-highs in the week alongside volatile crude oil futures. The spikes in naphtha prices dented downstream margins, leaving buying sentiment cautious for prompt-month cargoes, with cracker output rates being trimmed. Naphtha's intermonth spread narrowed considerably, albeit still in a backwardated market structure.

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



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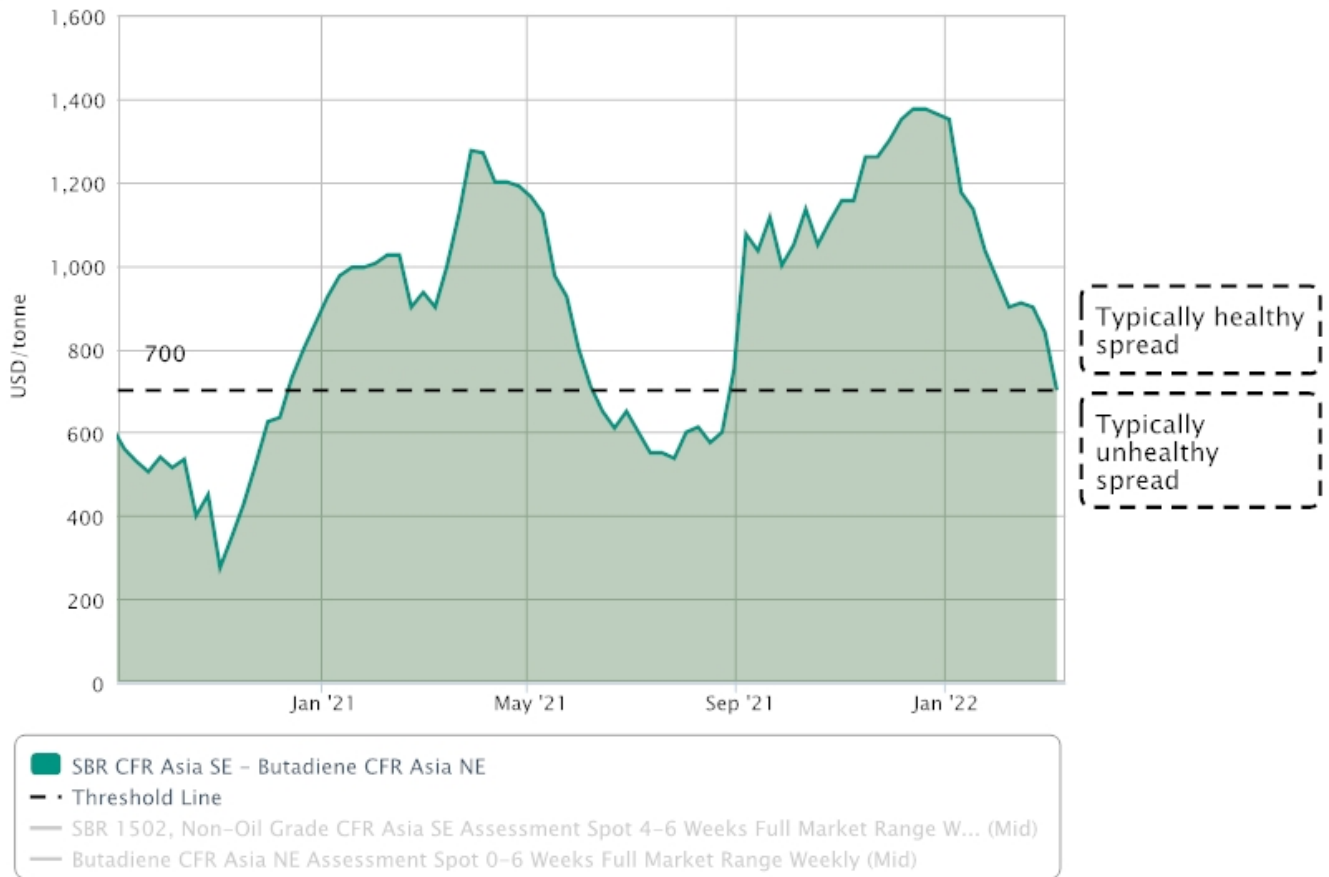
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Cost pressures continued to support an uptrend in Asian spot discussions for **styrene-butadiene rubber (SBR)** imports.

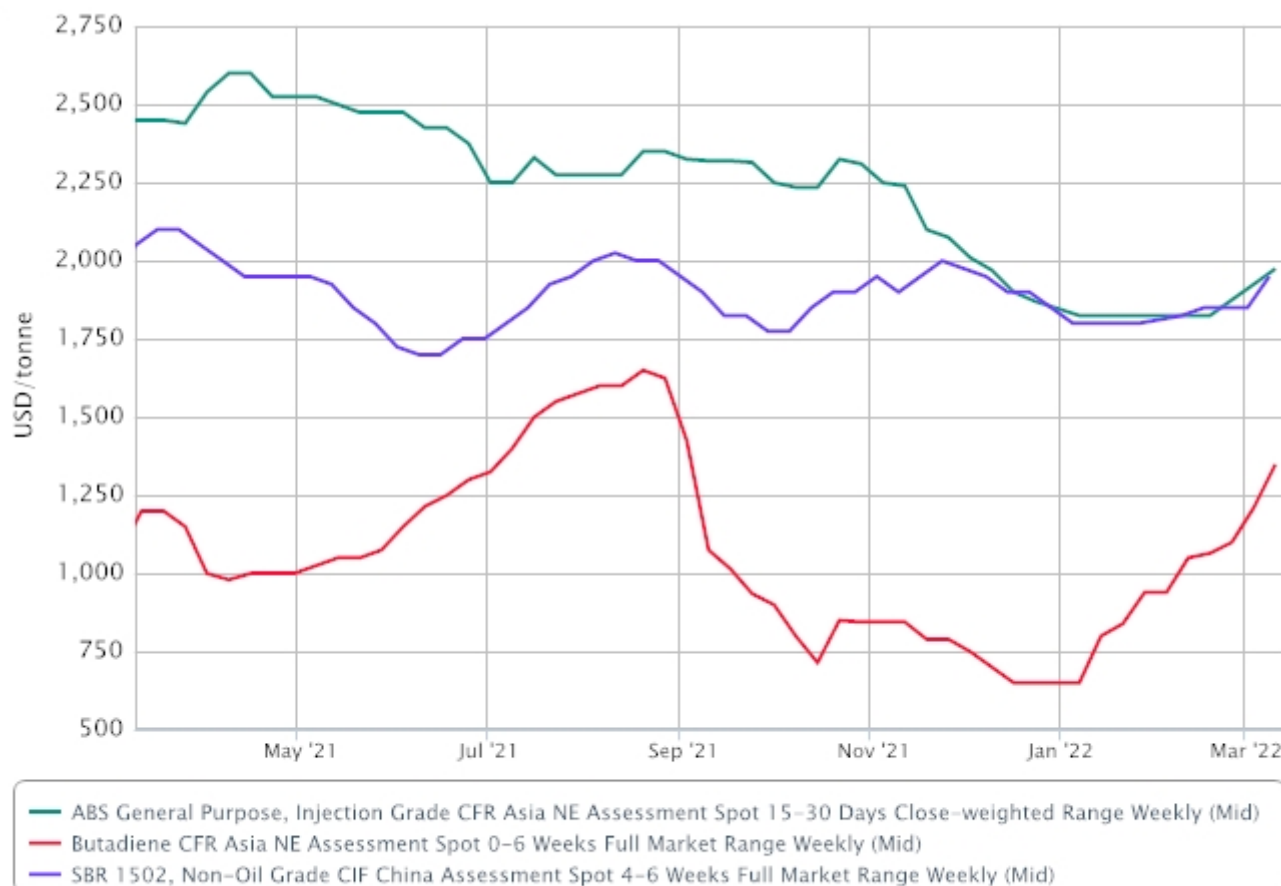
The chart below shows the spread between BD and SBR in Asia.

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



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The mid-point of northeast Asia's spot **acrylonitrile butadiene styrene (ABS)** import prices rose for the third week, following a six-week stalemate. A higher deal surfaced, amid stronger offers alongside the recent feedstock crude rally. However, most players stayed on the sidelines over concerns of a potential economic slowdown from the Russia-Ukraine war.



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PRODUCTION

The regional BD market remained structurally over-supplied, with more [new capacities](#), including a 200,000 tonne/year unit in China's Zhejiang province, expected to come onstream within the first half of 2022.

But prompt output was reduced, following a heavy, and ongoing, wave of cracker operating rate cuts in northeast Asia. Supply will also be weighed down by various planned and unplanned plant closures in the February-March window.

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

OTHER REGIONS

In the US, BD production from steam crackers [rose](#) in end-2021, amid higher operating rates.

In Europe, concerns are rising among tyre makers about the stability of [carbon black supply](#) from Russia, Belarus and Ukraine.

ANALYTICS

ICIS Crude outlook

The crude price will be driven by the Russia-Ukraine crisis in the immediate short term. The recently announced Western sanctions on Russia have primarily focused on individuals and Russian banks. These sanctions will make

oil trade with Russia more difficult, but are unlikely to severely dent Russia's 2.3m bbl/day exports of oil to Europe in the short term. ICIS expects the military conflict to worsen over the coming weeks with the assumption of additional Western sanctions on Russia, but no expulsion from the SWIFT banking system. ICIS forecasts an average Dated BFOE crude price of \$110.50/bbl in March. Our base case assumes a long and protracted conflict in Ukraine over the coming months, but since the current set of sanctions are not expected to pose a significant impact on Russia's oil exports, ICIS expects the risk premium due to this conflict to fade considerably in Q2, as market participants' focus moves away from this conflict.

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

ICIS Naphtha outlook

European naphtha supplies may become limited due to the conflict in Ukraine. Russia supplies Europe with almost 50% of its naphtha imports, so if sanctions are implemented on Russian naphtha exports or Russia chooses to reduce supply to Europe, this could cause a spike in prices. With ARA naphtha inventories already near multiyear lows, this could severely impact the NWE naphtha spread. The NWE propane:naphtha ratio has fallen further in recent weeks, with propane prices now over 15% lower than naphtha. Some naphtha crackers in Asia have already switched to LPG after a long period of almost solely naphtha feed. However, the invasion of Ukraine has led to an LPG price spike as Russia has banned exports of LPG to Ukraine. With the conflict expected to be long and protracted, this could lead to a sustained elevated LPG price, and could lead to naphtha once again being a preferable petrochemical feedstock in the near term.

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

ICIS Butadiene Outlook

Surging oil costs will increase annual inflation further in the US, threatening economic growth and consumer confidence. The US butadiene (BD) market is likely to be characterised by tightness of supply and relatively good demand in the next couple of months. With several US sites expected to undergo planned maintenance during Q2, import volumes from Europe and Asia might increase. However, deep-sea sources might struggle with their production because of feedstock costs.

The invasion of Ukraine by Russia and resulting economic sanctions are fuelling concerns over the European business outlook. The butadiene (BD) supply chain could be disrupted by ongoing heightened energy costs and further limits on new vehicle production. Several global automotive manufacturers have stopped sales in Russia, while others have closed plants due to a lack of components from Ukraine. Karpatneftkhim's mixed-feed cracker at Kalush, Ukraine, was shut down because of the imposition of martial law by the national government. With production estimated between 55,000 tonnes/year and 65,000 tonnes/year, its crude C4 was typically sold in the European market. Germany and/or the Czech Republic were likely the main destinations.

Asian butadiene (BD) output is expected to decrease over the coming weeks. For Q1 2022, ICIS estimates a production drop of nearly 20,000 tonnes/month. With soaring crude oil and naphtha prices in response to the Russia-Ukraine war, producers are managing losses by increasingly cracking higher proportions of lighter feedstocks and/or reducing operating rates. This move will lead to decreased BD production. Nevertheless, the arbitrage window between the US and Asia should remain open and widen in Q2 2022, hitting an average differential of more than \$400/tonne.

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

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