



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

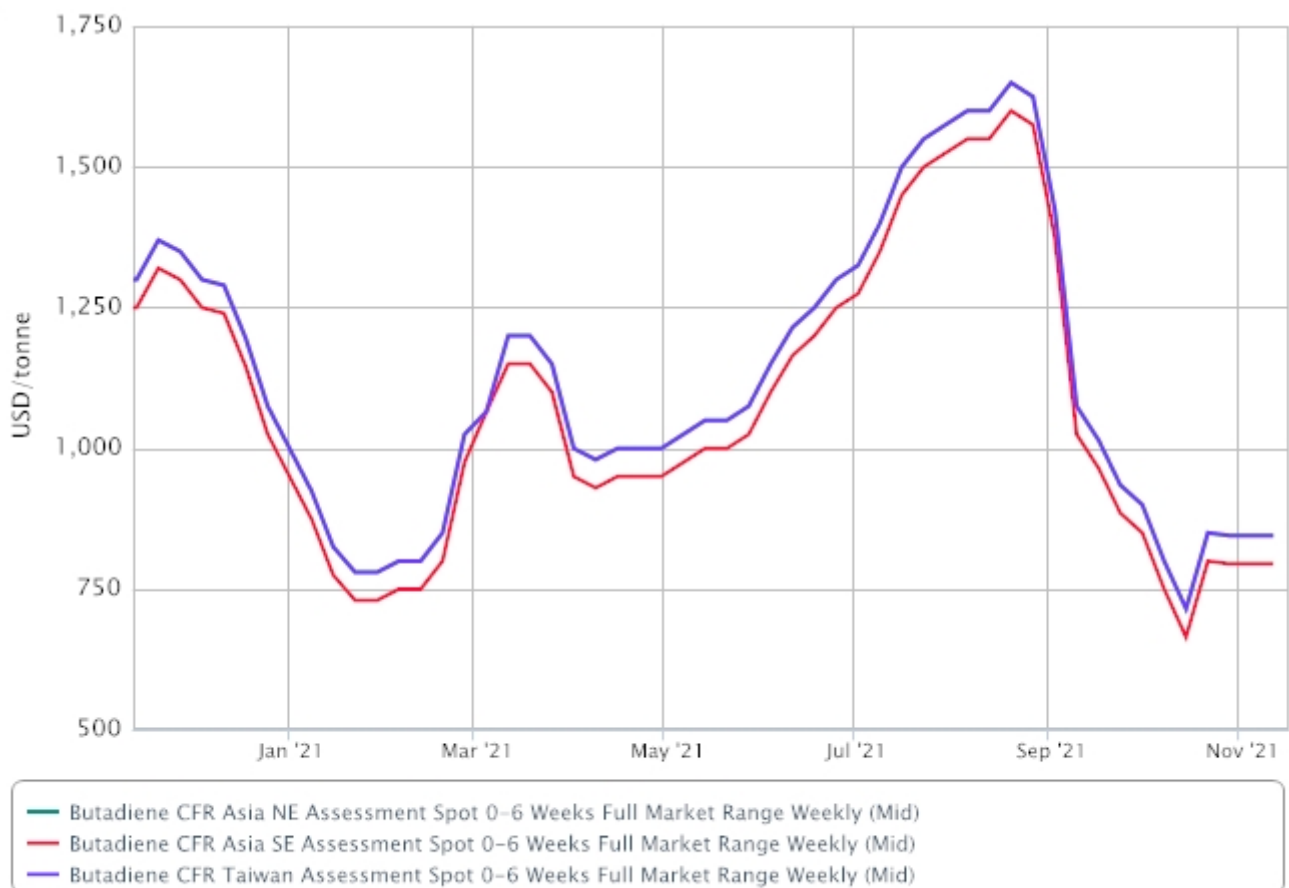
- Trade muted on [wide buy-sell gap](#)
- Domestic China recovers some ground
- But sentiment still weak in the import market

Asian butadiene (BD) import discussions stalled as buyers and sellers remained wide apart in their pricing outlook. Assessments were rolled over amid range-bound pricing indications, in the absence of substantive negotiations or transactions on a fixed price basis.

Regional end-users remained convinced that the market is amply supplied and that there was no need to raise bids to secure volumes. In any case, most maintained that they have no buying interest as the bulk of their requirements for the rest of the year were already amply covered by prior purchases or contractual supplies.

But from the suppliers' perspectives, most held firm to their existing expectations, if not chased elevated targets, citing the need to rescue suppressed cracker margins.

Sentiment among suppliers was also buoyed by some recovery seen this week in the domestic yuan-denominated prices in China. If the uptrend in yuan values is sustained, the suppliers are optimistic that this could help strengthen buying interest in China for US dollar denominated imports.



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OUTLOOK

- **Buyers likely to remain cautious**
- **But substantive usage may pick up with post-lockdown recovery**
- **Buy-sell tussle to persist**

ICIS analyst view on butadiene (BD)

We expect weak fundamentals in the Chinese domestic market in November amid import arrivals and tank tightness in coastal China, which should result in lower buying appetite for imports. The startup of Shouguang Luqing's 800,000 tonne/year unit will also pressure the market.

However, ICIS expects that higher BD demand in China - due to easing power rationing and the startup of new derivatives projects - as well as possible production cuts at some Asian crackers on squeezed margins will ease the pressure.

Several new latex projects and one ADN project are due online in Q4 2021 and Q1 2022 in China, and Chimei is going to lift the run rate at its ABS plant in Fujian that started up in September.

However, delays of the projects are possible amid increasing COVID-19 infections in China and typical industrial production restrictions in winter due to environmental concerns. The squeezed margins of NB latex amid rising supply may reduce interest for the new NB latex projects.

Additionally, stricter restrictions are expected in January and February 2022, as Beijing will host the Olympic Winter Games from 4-20 February. It is estimated to have a bigger impact on BD derivatives and end-user tyre makers rather than on BD production.

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	n/c	900.00-950.00	n/c	700.00-850.00	40.82-43.09
CFR NE Asia	USD/tonne	n/c	790.00-900.00	n/c	650.00-780.00	35.83-40.82
CFR Taiwan	USD/tonne	n/c	790.00-900.00	n/c	650.00-780.00	35.83-40.82
CFR SE Asia	USD/tonne	n/c	740.00-850.00	n/c	600.00-730.00	33.57-38.56

China

FOB China assessments held steady on rangebound indications in a thinly-discussed market.

China BD makers continued to focus on domestic sales at the expense of exports, especially since the domestic yuan-denominated prices saw some recovery during the week.

East China domestic prices

Yuan-denominated prices rebounded this week on firmer downstream requirements, riding on improved operating rates among downstream factories, after dual control policy-related restrictions eased somewhat.

Price (CNY/tonne)	12 November	5 November
DEL east China	6,800-6,900	6,500-6,700



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Northeast Asia

CFR northeast Asian assessments were rolled over, tracking range-bound pricing indications heard.

Buying indications from end-users in wider Asia were heard capped at the low-end, while offers were heard at the high-end and above.

Some cargoes were heard sold at below the published range, albeit on some conditional terms, market sources said. This was thus not taken into account for assessments.

CFR Taiwan assessments were kept unchanged with the stable CFR northeast Asian assessments.

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

Southeast Asia

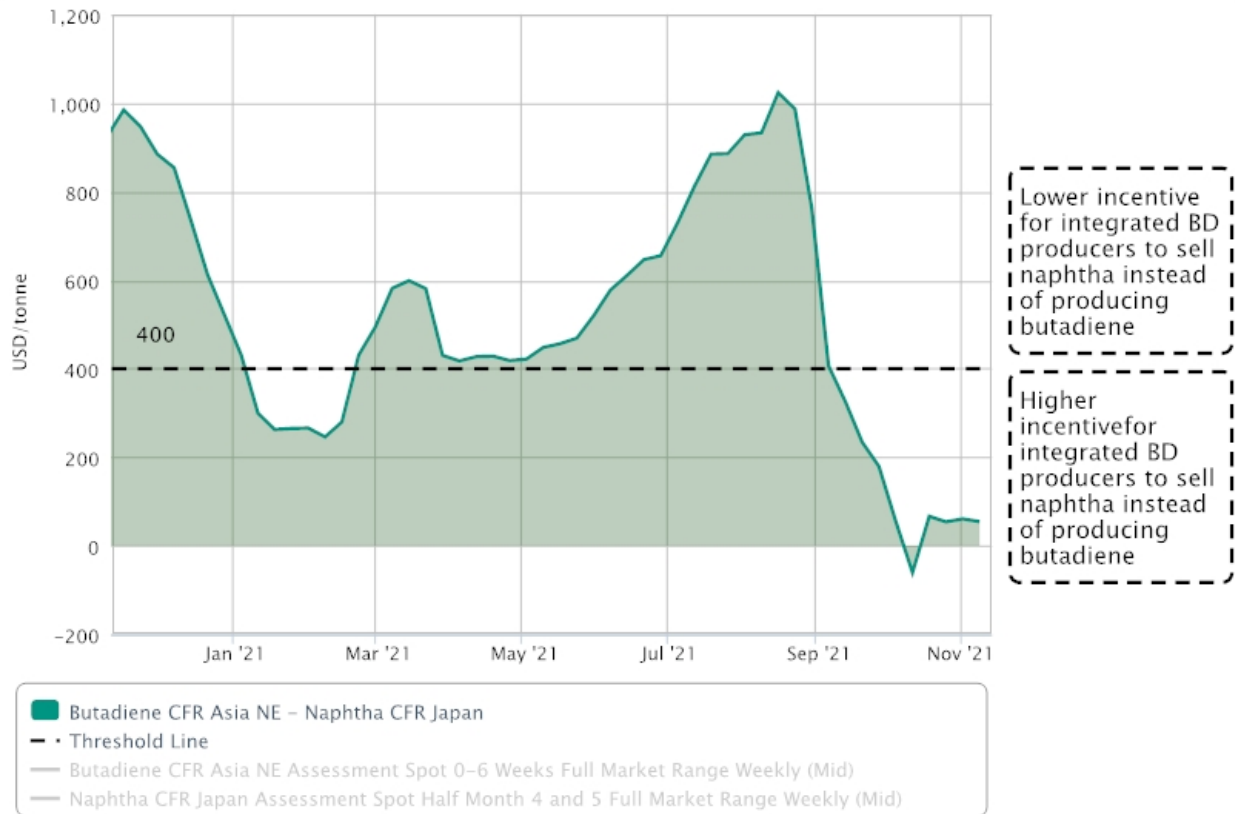
CFR SE Asian assessments held steady on stable CFR NE Asian assessments, and in the absence of any fixed price transactions or discussions.

A southeast Asia-origin cargo was heard sold, via tender, this week for December lifting on a floating basis, and as such was not included for assessments.

UPSTREAM

Asia Pacific naphtha markets drew support from buoyant end-user demand for petrochemical and gasoline blending. This widened the feedstock's intermonth spread in backwardation, while strong liquefied petroleum gas prices provided incentive for naphtha as the preferred 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)** spot discussions were mostly stable-to-softer as buyers' resistance to higher asking prices grew.

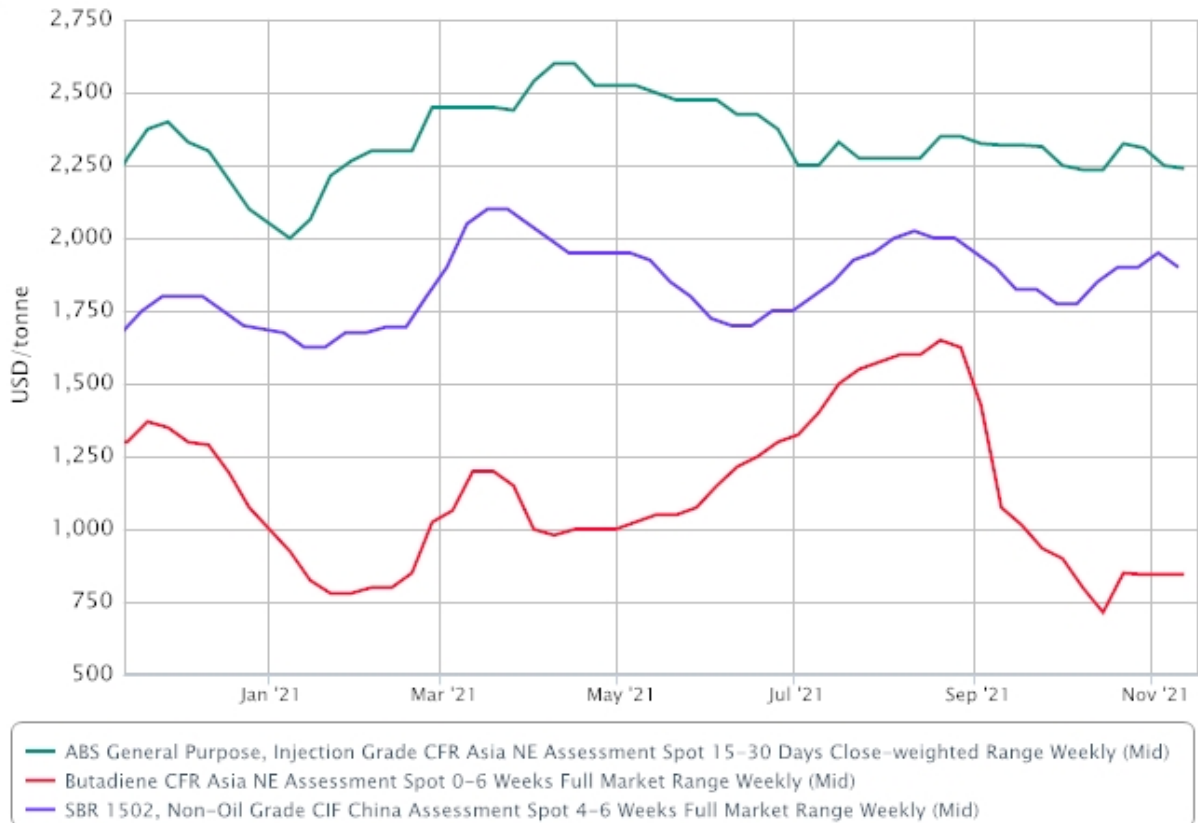
The chart below shows the spread between BD and SBR in Asia.

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



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The spot **acrylonitrile-butadiene-styrene (ABS)** import prices in northeast Asia were stable-to-soft, with importers resisting higher offers. The seasonal peak for end-use electronic consumerables typically end in November.



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PRODUCTION

Within China, domestic production remains curtailed by ongoing closures of several purpose-built units which had suspended operations earlier on economic considerations.

The regional BD market is however structurally over-supplied, with output from several new and upcoming new BD projects in the region poised to hit market in near term. But prompt supplies may be limited on ongoing [turnarounds](#) in northeast Asia.

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

OTHER REGIONS

In the US, spot prices for BD [fell](#) on weaker demand as derivative producers are mostly covered by contract volumes.

ANALYTICS

ICIS Ethylene Outlook

Shell's 1.5m tonne/year cracker start up at Potter Township, Pennsylvania, sometime in 2022, will witness a game changer for the US ethylene industry. The new ethane-based cracker, which is designed to be integrated with three polyethylene (PE) units, will be the first ethylene producing plant on the East Coast. The project will have a revolutionary impact on the domestic polymer market as Shell returns to the plastics business. Given an advantageous geographical position compared with crackers in Texas and Louisiana, most of the polymer it produces is likely to be sold in the northeast US market. This suggests that current suppliers will probably have to find alternative outlets. In 2022, total net exports of US PE are estimated to grow to about 7.6m tonnes, increasing by almost 15% and 5.5% on 2021 and 2020, respectively.

European ethylene supply might see disruptions through 2022 given scaled-down capacity availability. Sabic's cracker at Wilton, UK, might resume commercial production by the end of 2022 following a long shutdown. Versalis is expected to close its cracker at Porto Marghera, Italy, probably in H2 2022. Despite the planned expansion of crackers in the Czech Republic, Germany and Slovakia, total capacity in Europe is expected to fall to around 24.8m tonnes/year next year, down from 25.7m tonnes/year in 2019. That said, Europe is expected to switch from being a net exporter to being a net importer in 2022, although it is already seeing some of this shift because of strong demand and reduced capacity. According to preliminary data, in the first eight months of 2021, imports of ethylene were around 230,000 tonnes and exports about 160,000 tonnes.

Next year, ethylene derivative capacity in China will increase more than ethylene capacity. According to the ICIS Supply and Demand Database, monomer demand from the PE industry is forecast to hit about 22.1m tonnes in 2022, up from 21m tonnes in 2021. As demand will outstrip production, China will remain a net importer of PE, with the Middle East its main source. Given the imminent restart of PRefChem's petrochemical complex in Pengerang, Malaysia, Chinese imports of Malaysian PE will rise again through 2022. However, outside factors – such as China's dual control policy – will continue to affect Chinese PE production in the short term.

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

ICIS Propylene Outlook

US propylene market tightness may persist into 2022 and elevated natural gas costs will not help ease pressure on the monomer in the short term. The three propane dehydrogenation (PDH) units in the US are suffering from substantial propane costs. Shrinking PDH margins may continue in the weeks ahead due to rising propane demand driven by the winter heating season and constrained domestic production. The National Oceanic and Atmospheric Administration's Climate Prediction Center, a [US federal agency](#), confirmed that the La Nina cycle will be active from December to February, causing below-normal temperatures in the northern US area.

European propylene production is likely to be buoyed by firmer naphtha usage in the coming weeks. The price differential between propane and naphtha is likely to remain in positive territory until March, making naphtha the preferred feedstock for cracking operations. Heading into 2022, total European propylene capacity should increase slightly. Despite the scheduled closure of Porto Marghera's cracker in Italy, there are cracking capacity expansions in the Czech Republic, Germany and Slovakia, the restart of TotalEnergies' Donges refinery in France and Sabic's cracker in Wilton, UK. The start-up of a new PDH facility in Belgium is also expected to relieve pressure in the domestic market.

Liquefied petroleum gas (LPG) consumption in China is increasing in the approach to winter, the return of some PDH facilities from maintenances, new PDH units and LPG-fed steam crackers. The Winter Olympics, which take place in February, is also expected to boost Chinese LPG demand. PDH economics are expected to remain unfavourable in the coming weeks amid propylene weakness and rising propane costs. As a result, several Chinese operators may curb PDH operating rates and others will have to run plants at relatively good rates to ensure cash flow needs. Overall, 23 PDH plants, with a combined propylene capacity of about 10.7m tonnes/year, will be in operation in China by the end of 2021. They will require up to 12.8m tonnes of propane when running at full nameplate capacity.

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

ICIS Butadiene Outlook

US BD consumption is estimated to hit about 1.7m tonnes in 2022, which is below pre-pandemic levels. The automotive production crunch may last into H1 2022 at the earliest and contribute to weaker BD derivative demand. Apart from the chip shortage, a shortage of magnesium in China poses another threat to the global car industry. Magnesium is used in the production of aluminium alloys, which have a number of applications in vehicle manufacture.

There is uncertainty surrounding the BD outlook for Europe in 2022. With activity at the cracker in Porto Marghera, Italy, brought to a halt, crude C4 cargoes will no longer be shipped to Ravenna to feed Versalis' BD extraction unit which has a capacity of 140,000 tonnes/year. Although Sabic's cracker in Wilton, UK, will see commercial production restored by the end of 2022, its BD unit may remain permanently closed. Supply chain disruptions may materialise as a result. BD demand is forecast to grow at a slower rate next year, by about 6% on 2021, but consumption this year is expected to increase by almost 11% on 2020.

ICIS analysts estimate relatively sizeable growth in BD demand in 2022, up by 12% on 2021, at around 4.3m tonnes. Next year, BD derivative capacity additions will amount to about 895,000 tonnes/year, and new BD capacity will hit about 320,000 tonnes/year. With demand outpacing production, China will remain a net BD importer. A new 70,000 tonne/year standalone BD unit in Batangas in the Philippines and owned by JG Summit may help to cover some of China's BD shortfall in 2022.

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