



## Butadiene (Asia-Pacific)

**By Ai Teng Lim**  
**14-Jan-2022**

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

### OVERVIEW

- **Domestic China spikes**
- **Sentiment boosted too on import cargoes**
- **But uncertainties prevail on the demand front**

Asian spot import prices for butadiene (BD) spiked this week, tracking an [upsurge](#) in the domestic China market.

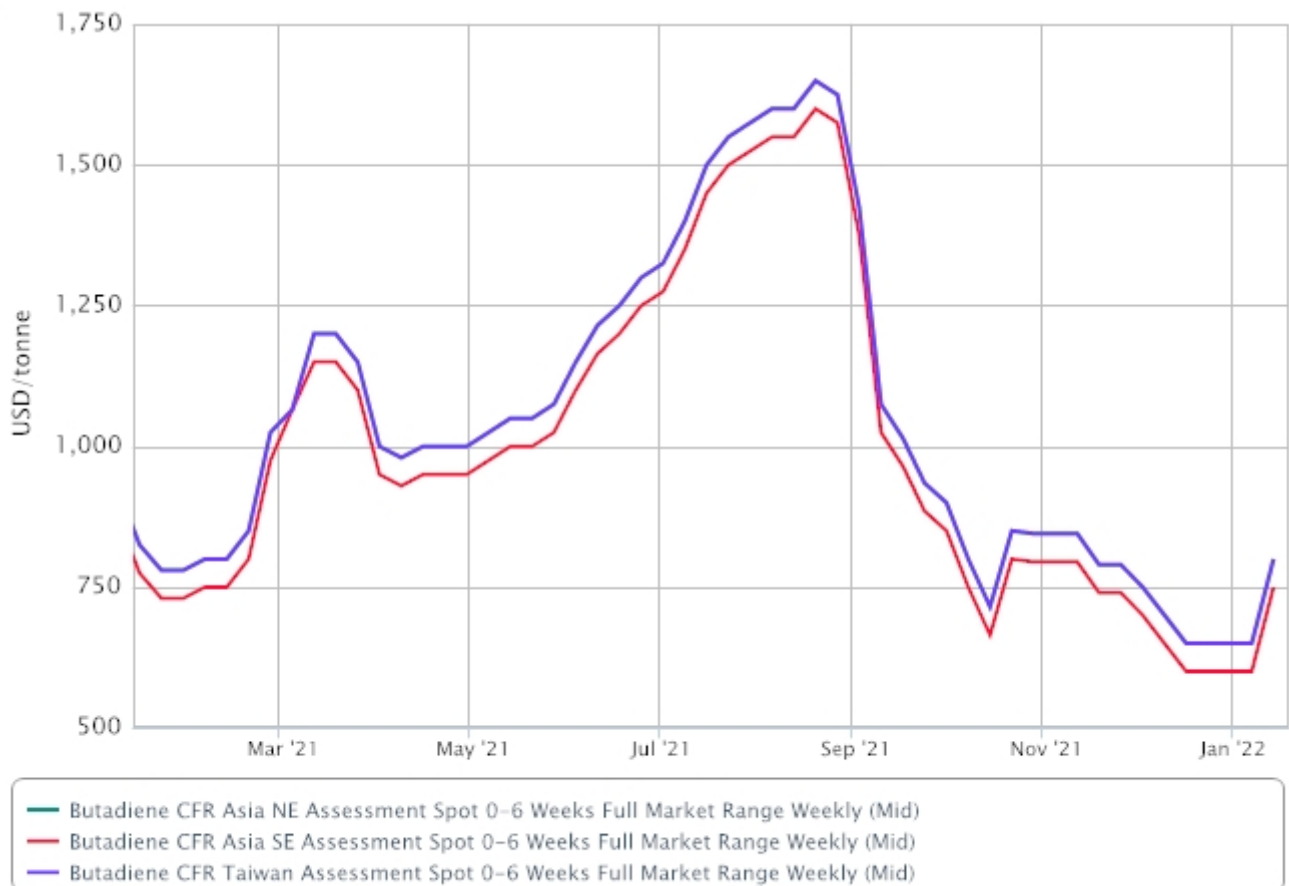
Domestic yuan-denominated prices rose sharply overnight at the beginning of the trading week, and maintained the uptrend throughout the week.

This came as prompt supply in some areas tightened after the country stepped up virus control measures and placed several cities under lockdown. This invariably disrupted the local transportation network and caused delays to some prior BD delivery arrangements.

The strong yuan market performance also bolstered discussions for US dollar denominated import cargoes, as sellers raised targets and were also less inclined to negotiate with prospective regional buyers, as they were more keen to explore and close the more lucrative arbitrage trades, if circumstances permit.

On the buy side, while end users mostly acknowledged the reality that import offers have risen, many of them remained at ease and reluctant to rush into any fresh deals at current asking levels, as they are convinced that it is a structurally over-supplied market and that there is no lack of spot availabilities.

Outlook is as such mixed, with buyers and sellers still mostly vastly apart in their pricing evaluation.



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## OUTLOOK

- Regional supply overhang may ease if arbitrage trade continues
- Buying momentum may ease on upcoming holidays
- Buy-sell gap likely to stay wide

## PRICES

### SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>FOB China</b>	USD/tonne	+150	750.00-800.00	+150	600.00-650.00	34.02-36.29
<b>CFR NE Asia</b>	USD/tonne	+150	750.00-850.00	+150	600.00-700.00	34.02-38.56
<b>CFR Taiwan</b>	USD/tonne	+150	750.00-850.00	+150	600.00-700.00	34.02-38.56
<b>CFR SE Asia</b>	USD/tonne	+150	700.00-800.00	+150	550.00-650.00	31.75-36.29

### China

FOB China assessments rose with higher pricing indications, tracking increases seen in the domestic market.

Some sellers were heard eyeing export opportunities to markets further afield, like the US, although no substantive discussions transpired in the week.

Domestic China prices spiked as some pockets of supply gaps arose with movement restrictions stemming from stricter virus control measures.

Price (CNY/tonne)	07 January	24 December
DEL east China	6,000- 6,100	4,600-4,650



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## Northeast Asia

CFR northeast Asian assessments rose, reflecting firmer buy-sell discussions.

A NE Asia-origin cargo was sold this week via tender, for February loading, on FOB NE Asian basis, at \$820/tonne.

But most market players were of the view that this was unexpectedly high, and may not be fully reflective of mainstream CFR NE Asian market discussions this week. The latter was heard broadly in the mid-to-high \$700's/tonne range on the buyers' side, while prospective sellers' notional expectations were heard at the low-to-mid \$800's/tonne range.

These formed the respective low and high end of the published range.

No other intra-regional CFR NE Asian transactions materialised in the week, and market sources said that most sellers were hesitant to commit this week, as they are of the view that the uptrend will extend again, and that it is in their advantage to go slower.

But a deal was closed in the week, on FOB NE Asian basis, for March shipment to US, at around mid-to-high \$800's/tonne, market sources said.

But this was not taken into account for CFR NE Asian assessments as the delivery window of the cargo was outside the assessment window.

Demand wise, with some [cracker operating rate cuts](#) in NE Asia, market players said that there was room for some Korean parties to take in a parcel or two, albeit at a price deemed workable to them.

CFR Taiwan assessments were adjusted alongside changes in the CFR NE Asian assessments.

Month	Dec	Nov	Oct 21	Sep	Aug	Jul 21	June	May	Apr 21	Mar	Feb	Jan
ly	21	21		21	21		21	21		21	21	'21
Contra												
ct												
DEL, \$												
/tonne												
Taiwan	780	885	870	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880	950
FCC												
Korea	645	800	790	1,050	1,650	1,470	1,245	1,010	987	1,102.	827.5	867
YNCC										50	0	

### Southeast Asia

CFR SE Asian assessments were raised in tandem with CFR NE Asia assessments.

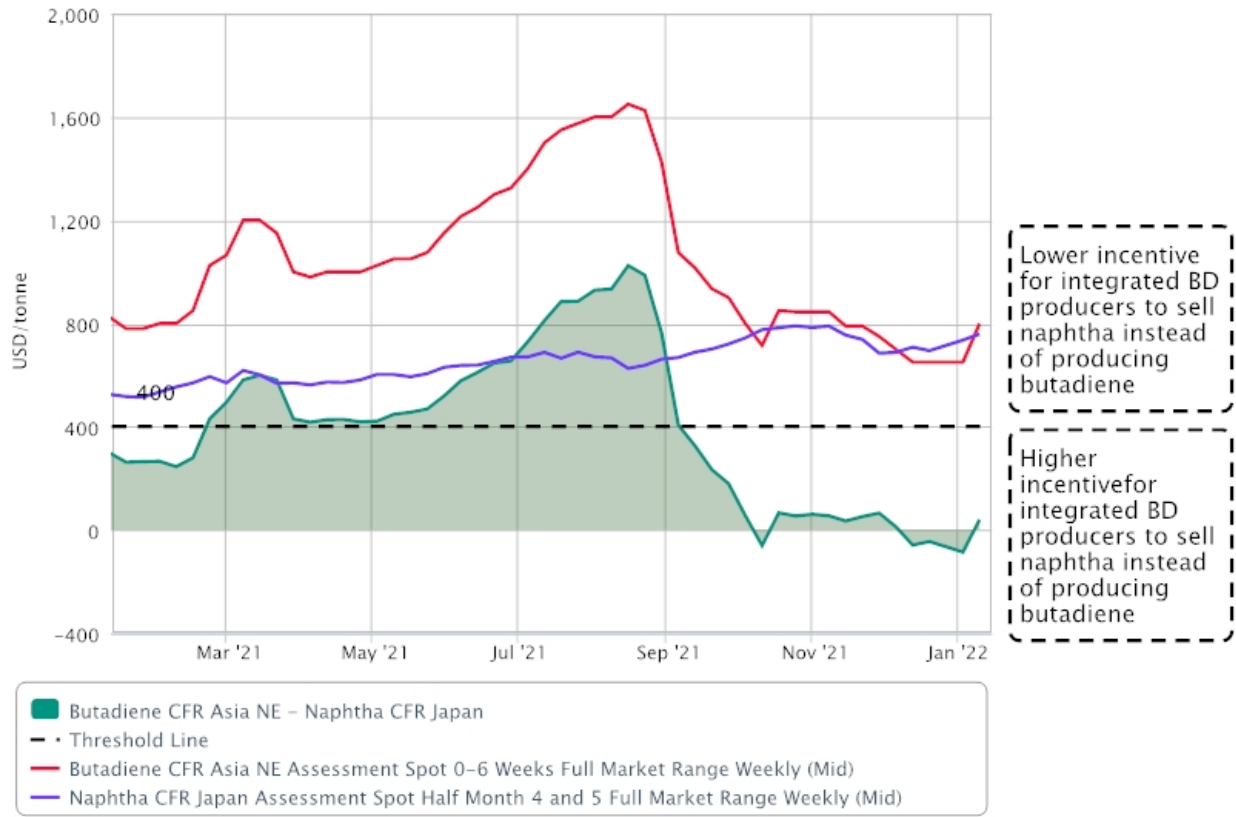
### SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range	One Week Ago	/
<b>Butadiene</b>					
<b>Ex-Tank E China</b>	CNY/tonne	n/c	5900-6000	-100	4000-4200
					-

### UPSTREAM

Asia-Pacific naphtha prices moved alongside gains in crude oil futures for most of the week. However, market fundamentals softened as forward-time spreads narrowed in backwardation. Poor margins for downstream petrochemical production prompted cracker run-rate curbs in parts of northeast Asia, with demand stable at best.

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



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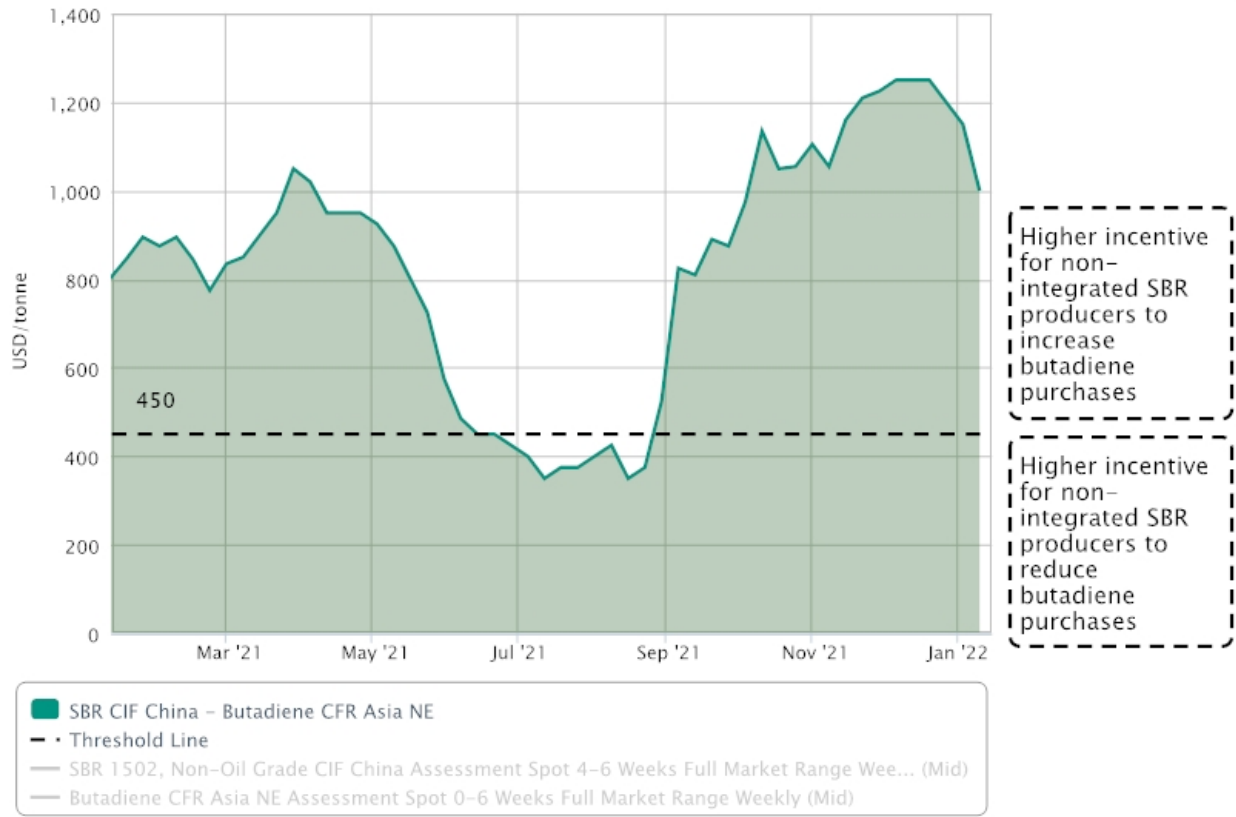
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** discussions were muted, as demand slows down on a pre-holiday lull.

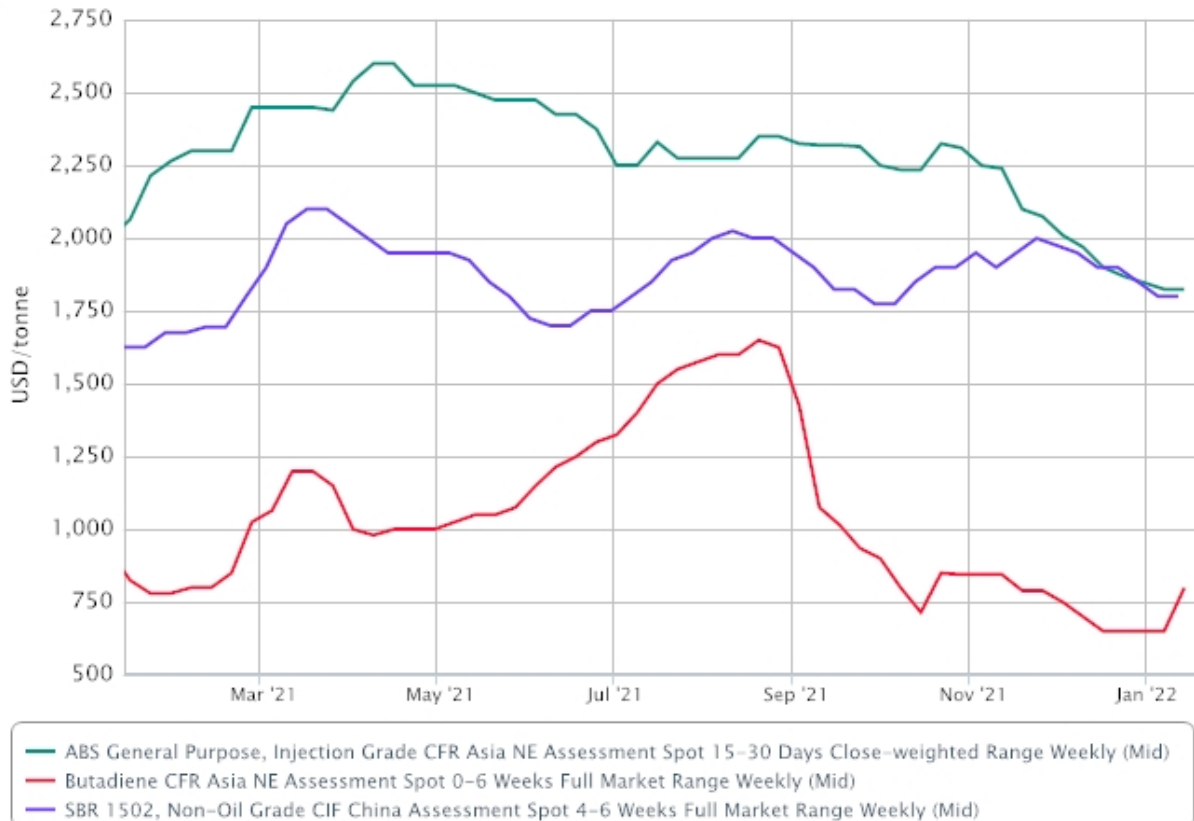
The chart below shows the spread between BD and SBR in Asia

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



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Spot **acrylonitrile-butadiene-styrene (ABS)** import prices in northeast Asia prices were stable for the first time since late October 2021. The derivative offtake rate stayed sluggish, tracking weak performances from the home electronics sector. However, support from the recent feedstock crude rally manifested in northeast Asia, stabilising the prices.



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## PRODUCTION

The regional BD market remains structurally over-supplied, amid more [new capacities](#), including a 200,000 tonnes/year unit in China's Zhejiang province, expected to come on stream in the next quarter or two.

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

## OTHER REGIONS

In the US, BD spot prices [fell](#) on softer demand and cheaper imports. But US' BD supply may [tighten](#) on maintenance in Q2 2022, although this may be mitigated by global length.

## ANALYTICS

### ICIS Butadiene Outlook

UD BD demand should remain good throughout H1 2022 and production is expected to improve on a year on year basis. On paper, the arbitrage window to the US for both Asia and Europe is forecast to remain open for most of 2022, although Asian suppliers seem to have an edge over European tonnes. So far, South Korea in particular has scheduled four cargoes totalling 21,500 tonnes from January to February. South Korea will continue to eye the US as alternative outlet for its BD surplus. The effect of the chip shortage persists on the global automotive industry. ICIS analysts expect new passenger car and light truck sales in the US in 2022 fall short of the 2019 level by 8%, with Q1 2022 around 77% of the same period of 2019, and about 88% by Q2 2022. Sales in the first quarter of 2022 will be particularly weighed on by growing Omicron variant infections.

The near-term outlook for Europe may be better than forecast as vaccination and booster targets are on track across the key markets. Therefore, ICIS expects less impact on household consumption from coronavirus restrictions during 2022 compared with 2021. The outlook for the Europe BD market is likely to be grim for January because supply is forecast to be balanced to long. European BD suppliers are expected to compete with Asian producers to move cargoes to the US over the next few weeks. According to ICIS analysts, European BD prices are forecast to be unworkable for the Asian market in 2022. The start-up of new Chinese BD plants will contribute to the suppression of Asian prices.

GDP for Indonesia, which is the second most populated country in southeast Asia with about 270m inhabitants, is forecast to grow by 5% in 2022, increasing from 3.5% in 2021, as the Asian Development Bank reported in the December 2021 outlook. BD Indonesian demand is expected to rise over the coming years, widening the demand-supply gap. Moving forward, Indonesia will develop its BD industry thanks to two new projects. The Lotte Chemical Indonesia New Ethylene (LINE) project, which is officially set to be completed by 2025, will produce 140,000 tonnes/year of BD. The construction of the second Chandra Asri petrochemical complex, or CAP2, at Cilegon will include a naphtha-based cracker and provide 175,000 tonnes/year of BD by 2026.

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