# Butadiene (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Downstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

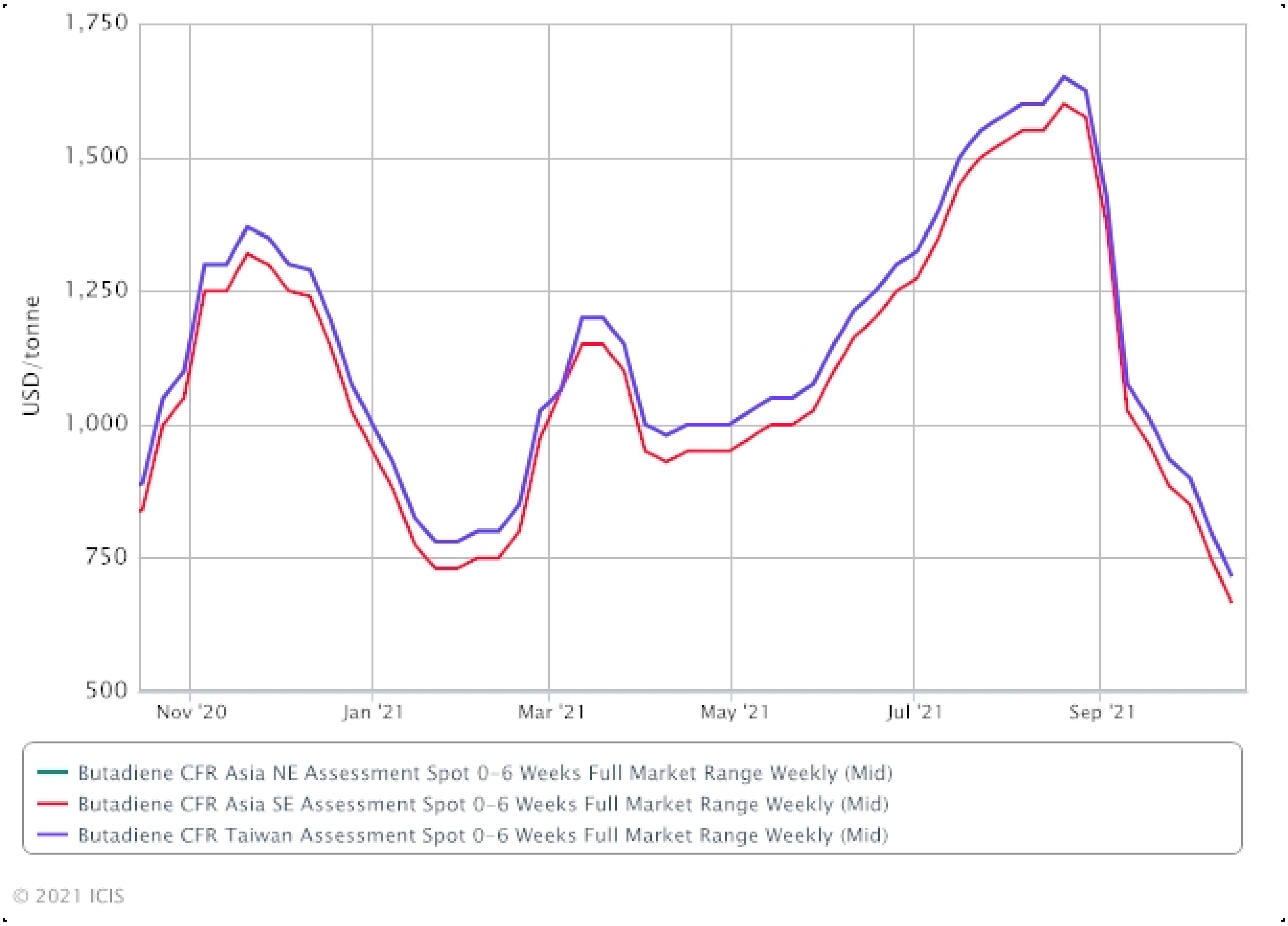
## OVERVIEW

- **Downtrend continues in the import market**
- **Over-supply concerns still prevalent in wider Asia**
- **But some late-week recovery in domestic China**

Asian butadiene (BD) import prices extended losses in an over-supplied market, but the domestic yuan-denominated market in China started to recover some lost ground in late-week trading, as a persistent power shortage in the country takes a toll on local plant operations.

In wider Asia, substantive demand for fresh BD spot parcels remains lacklustre, with many downstream synthetic rubber makers still hesitant to over-build feedstock BD inventories for fear that demand conditions in their own downstream markets may also falter with various lingering macro-economic constraints such as the looming electricity crisis and spiking freight costs.

But in the domestic China market, pricing sentiment was more buoyant towards the end of the trading week, with most of the lower-priced prompt availabilities sold out. As prevailing BD production is increasingly weighed down by the power crunch, China BD makers started to raise asking prices, citing dwindling output.




## OUTLOOK

- **Supply glut to persist in wider Asia**
- **Availabilities may dwindle in China with its dual-control policy**
- **Demand uncertainties to prevail**

## PRICES

### SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|---|---|---|---|---|---|---|
| **Butadiene** | | | | | | |
| **FOB China** | USD/tonne | -50 | 700.00-850.00 | -50 | n/a-n/a | 31.75-38.56 |
| **CFR NE Asia** | USD/tonne | -100 | 650.00-780.00 | -70 | 980.00-1050.00 | 29.48-35.38 |
| **CFR Taiwan** | USD/tonne | -100 | 650.00-780.00 | -70 | 980.00-1050.00 | 29.48-35.38 |
| **CFR SE Asia** | USD/tonne | -100 | 600.00-730.00 | -70 | 930.00-1000.00 | 27.22-33.11 |

**China**

Export discussions were muted, with China BD makers mostly preoccupied with domestic sales.

FOB China assessments were down, tracking early-week losses seen in domestic yuan values, as well as a lack of buying interest in potential outlets overseas.

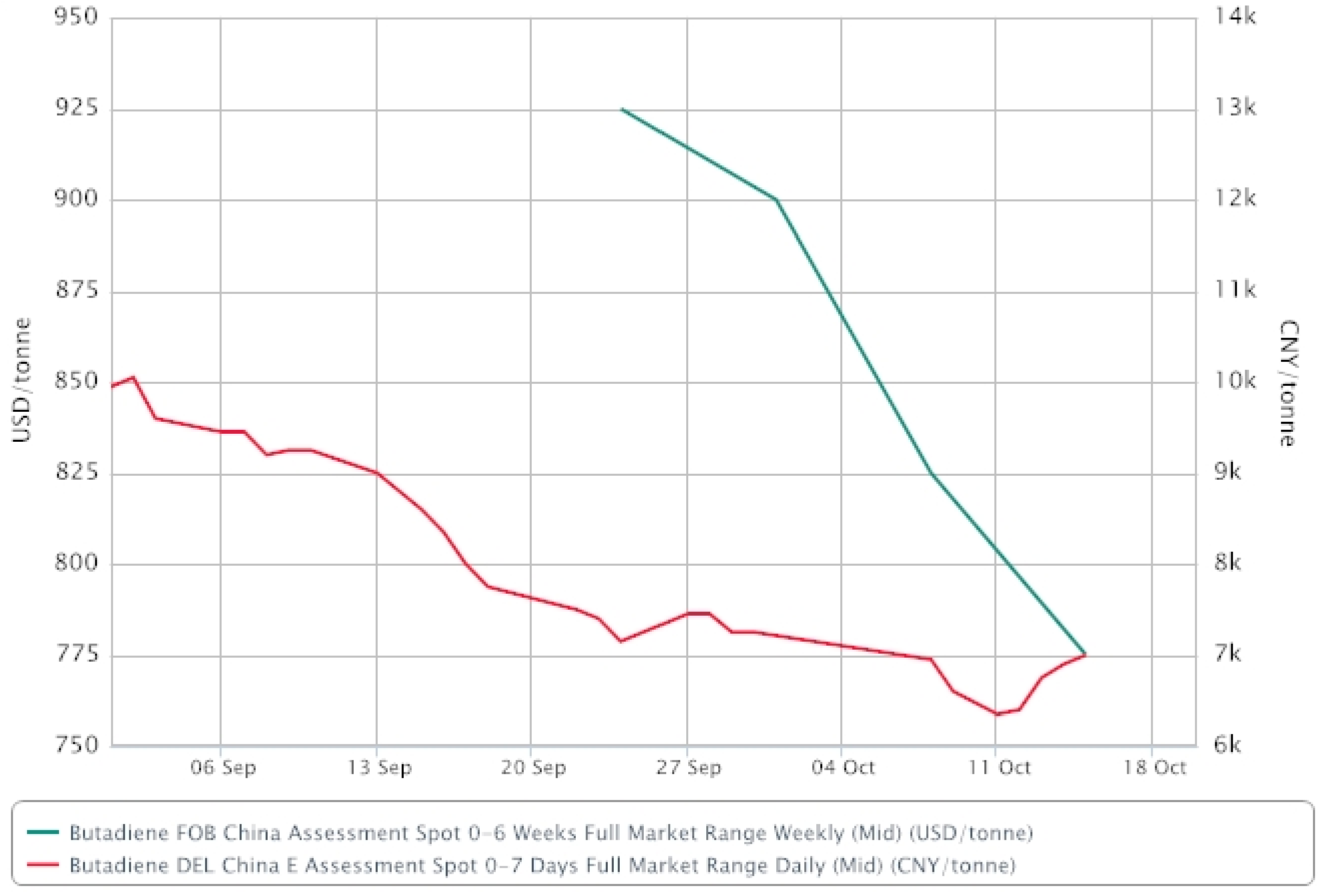
The high-end reflects a selling indication heard, while buying indications were capped at the low-end.

**East China domestic prices**

Yuan-denominated prices started the week on a lower note, but progressively improved thereafter to close the week stable-to-firm, compared the week prior.

Domestic offers had risen in the week, as prompt supplies were squeezed by output cuts triggered by a persistent power crunch in the country. There was also support from downstream gains.

| Price (CNY/tonne) | 15 October | 8 October |
|---|---|---|
| DEL east China | 6,900-7,100 | 6,900-7,000 |






**Northeast Asia**

CFR northeast Asian prices fell lower on weak demand fundamentals.

Buying indications in wider Asia were heard capped at the low-end, similar to a prior transaction said to involve a prompt shipment to China.

Although this deal was not taken into assessment due to specification variations from ICIS methodological requirements, potential buyers were of the consensus view that this was representative of workable tradable levels, in line with their muted outlook on near-term downstream demand.

Demand was indeed lacklustre, considering that two Asia-origin cargoes that surfaced in the week for sale, via tender, for late October and H2 November lifting respectively, drew no viable response from buyers, market sources said.

But towards the end of the week, CFR NE Asian pricing sentiment was somewhat lifted, especially for China-bound shipment, taking into consideration improvements seen in the domestic yuan-denominated market.

A NE Asia-origin cargo was heard sold late week for November shipment to China, and this formed the high-end after taking into account estimated freight costs for the trade which was heard closed on an FOB basis.

CFR Taiwan assessments were adjusted down with changes in the CFR northeast Asia assessment.

| Monthly Contract DEL, $/tonne | Sep 21 | Aug 21 | Jul 21 | June 21 | May 21 | Apr 21 | Mar 21 | Feb 21 |
|---|---|---|---|---|---|---|---|---|
| Taiwan FPCC | 1,175 | 1,545 | 1,380 | 1,205 | 1,010 | 1,050 | 1,135 | 880 |
| Korea YNCC | 1,050 | 1,650 | 1,470 | 1,245 | 1,010 | 987 | 1,102.50 | 827.50 |

**Southeast Asia**

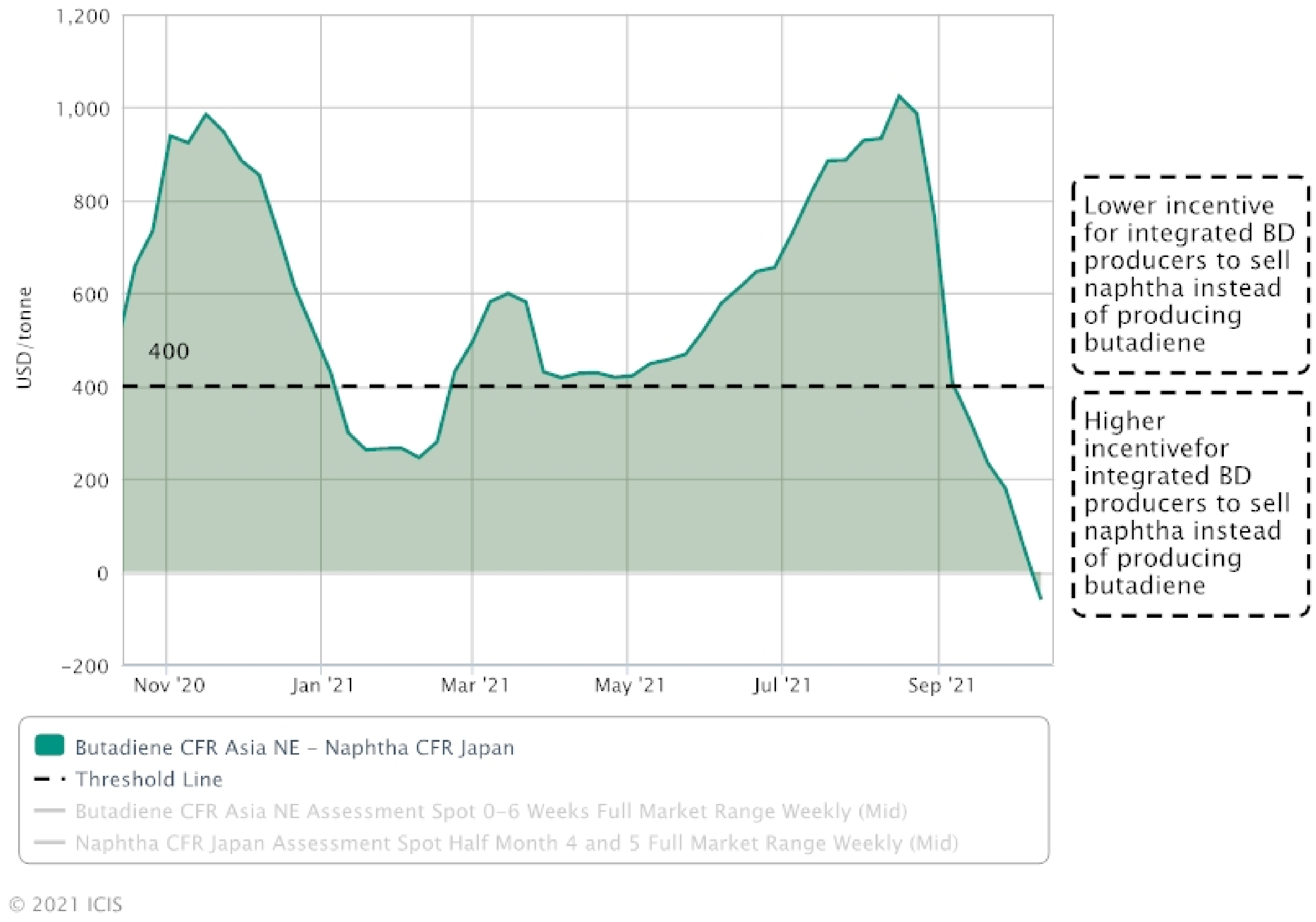
CFR SE Asia assessments were adjusted down too in line with changes in the CFR NE Asian assessments, in the absence of confirmed business on CFR SE Asia terms.

A sell tender was issued in the week for a southeast Asia-origin cargo available to lift in H2 November, but no deals materialised, market sources said.

## UPSTREAM

Asia-Pacific naphtha prices extended gains to multi-year highs alongside global crude oil futures, on expectations of limited supply. Steady end-user naphtha demand in northeast Asia for petrochemical production lent market support, widening the product’s intermonth spread in backwardation, with prompt-month prices stronger than forward months.

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia



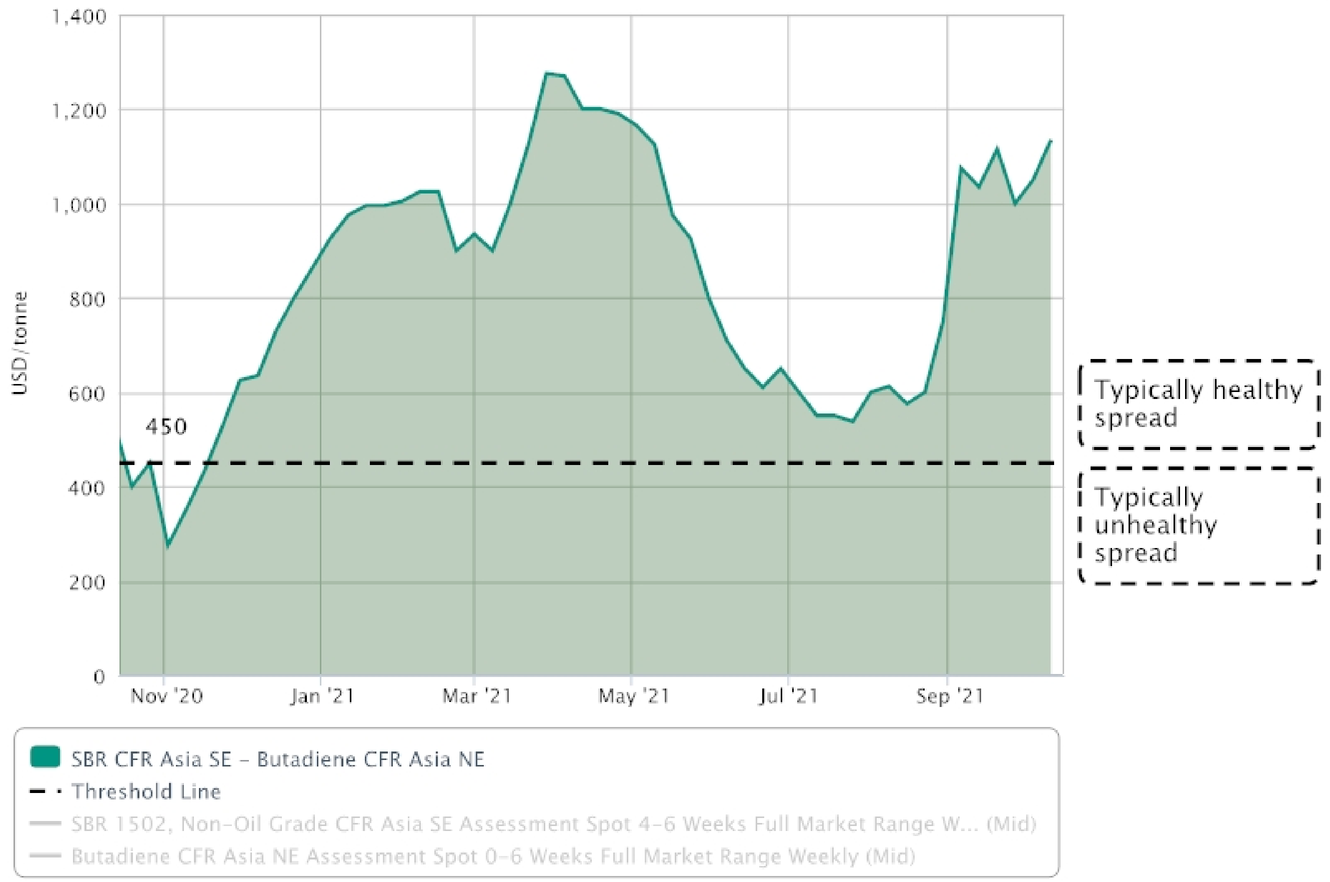

Click here for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** discussions were weighed down by feedstock butadiene losses, despite tight supplies.

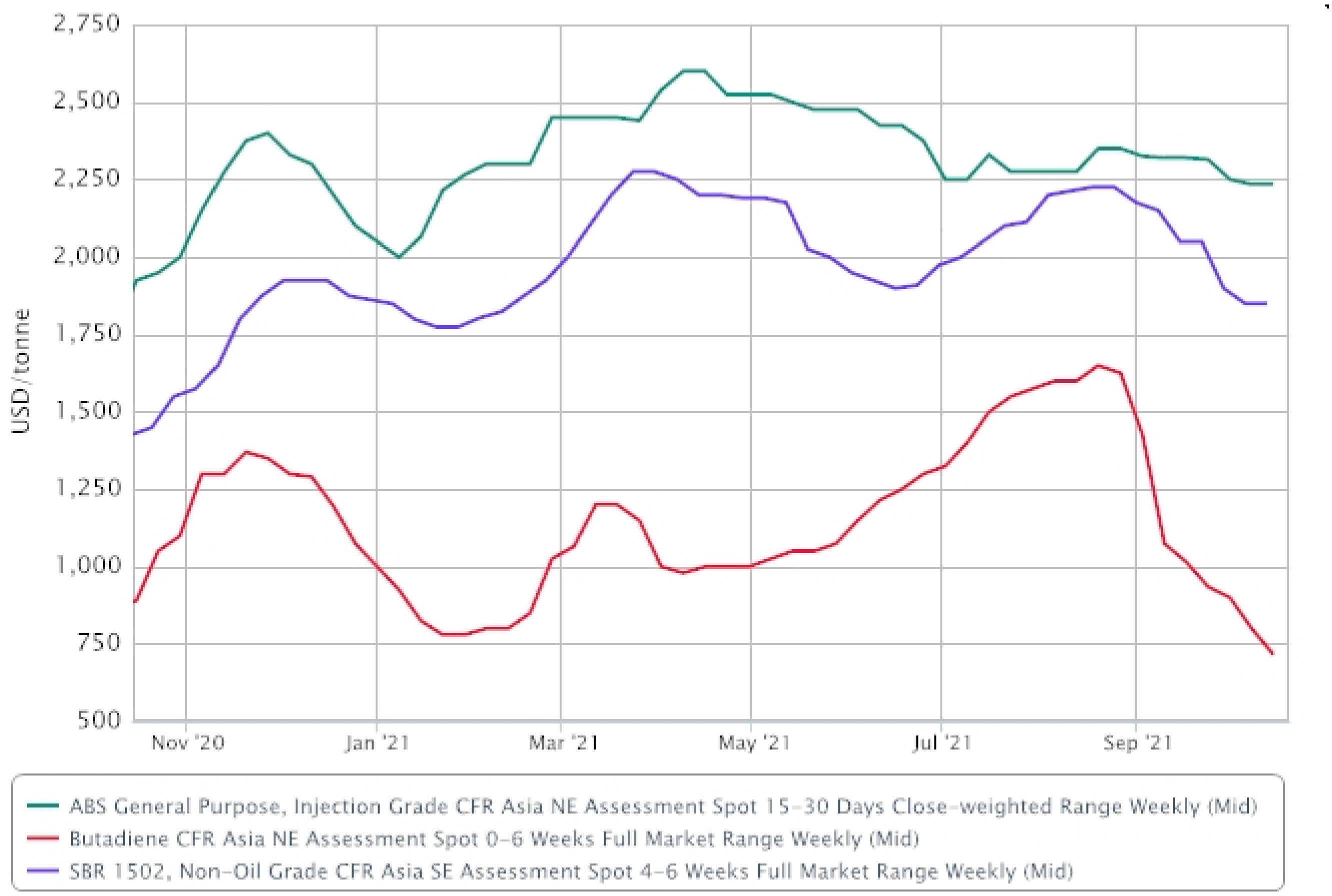
The chart below shows the spread between BD and SBR in Asia.

Spread between Butadiene and Styrene Butadiene Rubber Asia






Spot **acrylonitrile-butadiene-styrene (ABS)** import prices in Asia were assessed in a narrower range, with the mid-point flat. This marked a halt to the downtrend since end September.



## PRODUCTION

The regional BD market remains over-supplied, as apart from an abundance of prompt spot availabilities from existing producers, more cargoes may hit the market when production at several new and upcoming new BD projects stabilises.

Click here for the Asian BD Live Disruption Tracker.

## ANALYTICS

**ICIS Ethylene Outlook**

US ethylene production is estimated to increase in Q4 in line with the commissioning of new monomer supply along the Gulf Coast. Bayport Polymers should see commercial production from its new 1m tonne/year cracker imminently, and the Gulf Coast Growth Venture project (GCGV) is scheduled to begin operations from its 1.8m tonne/year cracker around the beginning of 2022. ICIS forecasts a declining market over the next few months. Expectations of lower derivative demand will add downward pressure on ethylene prices.

With Europe's largest basic chemicals capacity, Germany deploys an annual ethylene capacity of almost 5.7m tonnes. Ethylene in Germany is estimated to achieve record output of between 5.2m and 5.3m tonnes in 2021, production not seen for several years. Looking at 2022, OMV's ethylene capacity at its Burghausen refinery in Germany is scheduled to be enlarged. The cracker will be expanded and modernised in Q3 during a planned refinery maintenance. The company's strategy is to strengthen its presence in the petrochemical market on the prospect of growing demand.

Growing ethane exports have been observed since the start-up of the new Orbit ethane terminal at Nederland, Texas, in late Q4 2020. China, which will be one of the main destinations, is expected to import over 1m tonnes throughout 2021. According to ICIS analysts, total ethane feedstock used for crackers in China is estimated to rise to 1.7m-1.8m tonnes as three new ethane-based steam crackers began commercial production, two of which are getting feedstock from their own oil and gas fields. A third US origin ethane-fed cracker, which is scheduled to come on stream in 2022, will take total Chinese ethane consumption to 3.5m-3.7m tonnes.

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

**ICIS Propylene Outlook**

Based on ICIS forecasts, Q4 2021 should see some lengthening of US propylene supply and demand. High propylene prices may temper domestic demand as a number of derivative margins remain slim, coupled with the fact that seasonal demand is typically lower in Q4. Longer term, however, the US market is expected to remain fairly tight, as standalone derivative units continue to come on stream in 2022 and 2023.

Germany is the major propylene producer in Europe, with a total capacity of about 4.5m tonnes/year. This is 23% of total regional available capacity. This year's strong derivative demand, combined with good steam cracking margins, prompted German operators to increase their plant operating rates. In 2021, German propylene production is projected to total 3.6-3.7m tonnes, exceeding pre-pandemic levels. Next year, OMV plans to expand and modernise its German cracker at the Burghausen refinery. The works are scheduled to be completed in Q3 during a planned refinery maintenance.

Upward pressure on liquefied petroleum gas (LPG) prices is likely to persist into Q4 2021 and 2022, mainly mirroring strong demand and supply woes. Asia is, and will be, the main reason for growing LPG appetite. China, which imported about 16.4m tonnes in the first eight months of 2021, outpaced imports for the whole of 2019, primarily because new propane dehydrogenation (PDH) units and LPG-fed crackers started up. Next year, the number of LPG cargoes towards China will continue to rise, given than five new PDH plants are scheduled to be commissioned. In addition, India, Asia's second largest net importer after China, is set to increase its needs in 2022 following the government's February decision to extend the subsidy scheme. The intent is to connect 10m new rural households with LPG. The Middle East, the lead supplier for India, should be the main candidate to match incremental demand.

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

**ICIS Butadiene Outlook**

US BD capacity is forecast to be fully restored sometime in the coming weeks, with Shell and ExxonMobil sites in Louisiana and TPC's plant in Houston returning on stream once their maintenances are complete. There are concerns over possible demand weakness. One firm recently decided to increase prices to end users, and others may follow, thus pulling back tyre requests to some extent in Q4 2021. Indeed, the unprecedented spikes in freight rates, shipping container charges, as well as raw material costs might induce a rise in replacement and original equipment (OE) tyre prices. Entering 2022, with US production expected to recover, the market should return to more balanced conditions, although some sensitivity factors might persist.

As 35% of total Europe BD capacity is covered by Germany, not surprisingly the country is the major regional producer. This year, German BD production might hit between 800,000 and 850,000 tonnes. Next year, the German BD supply chain might be affected by some disruption. Indeed, during Q3 2022, OMV will increase ethylene and propylene capacity at its Burghausen refinery in Germany, and at that time, the whole refinery will be off line along with the 70,000 tonne/year butadiene unit.

According to the ICIS Supply and Demand Database, Asian BD capacity will increase by about 1.2m tonnes/year in 2022 compared with 2021, concentrated in China and South Korea, the top two BD importers in the pre-pandemic world. For 2022, Asian investment in BD derivatives is forecast to accelerate, including for synthetic rubber, ABS, adiponitrile and NB latex. Chinese producers are seeking to extend the value chain to more effectively manage supply-chain risks.

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