



Butadiene (Asia-Pacific)

By Ai Teng Lim
17-Feb-2023

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

ICIS is currently consulting readers about the methodology used for this report. To respond, click [here](#)

OVERVIEW

- **Sellers chase higher targets**
- **Active buying interest detected in wider Asia**
- **But import buying interest tapered in China**

Discussions in this week's Asian butadiene (BD) import market saw support from [firmer offers](#) and better buying appetite in wider Asia.

Several parcels, including China-origin materials, were floated this week for spot sales. Sellers said that they have no selling pressures and could pull back if bids fell short of their expectations.

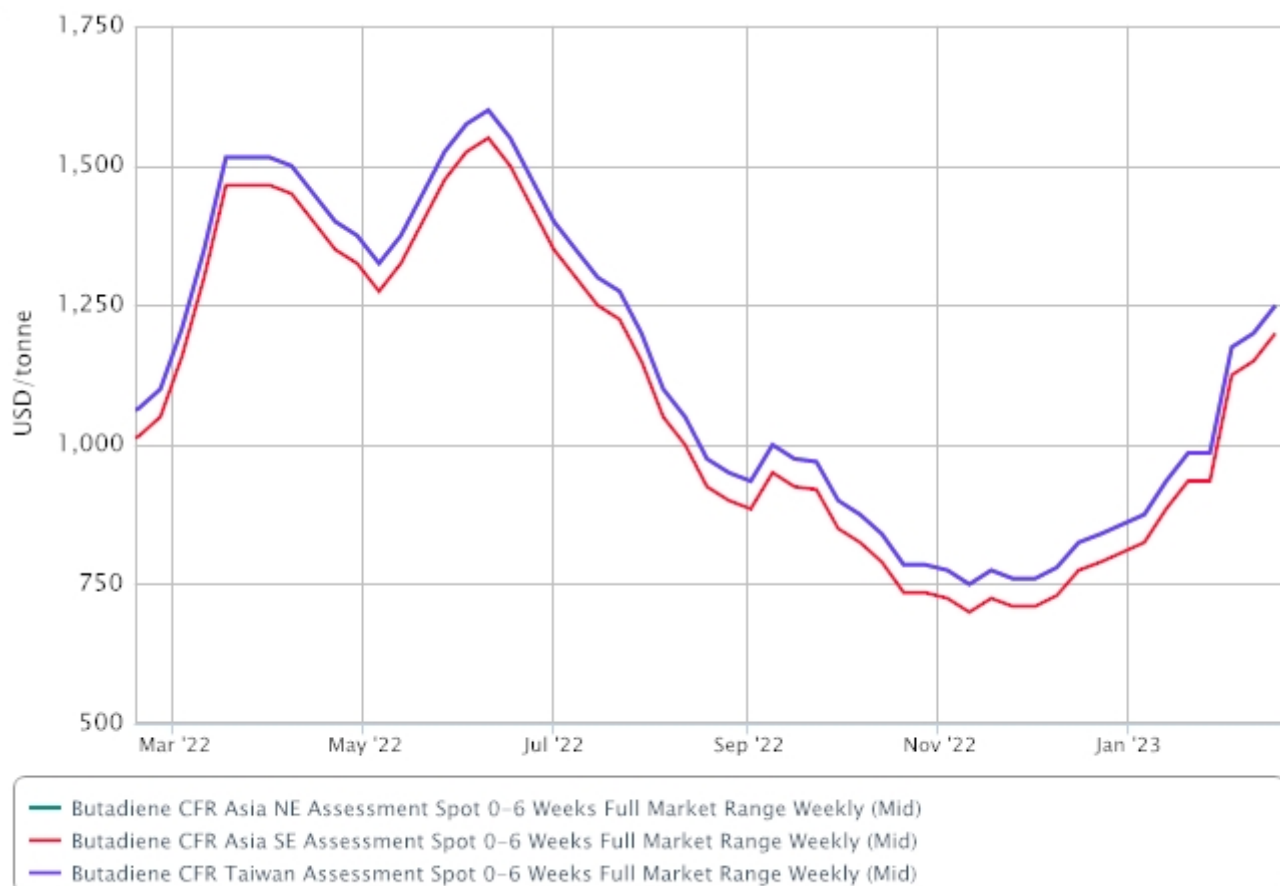
On the demand front, there is healthy buying interest detected in Taiwan and South Korea, where downstream users, such as the synthetic rubber makers, have had to procure some spot parcels to fill shortfall in contractual BD supplies, market players said.

But whether this demand will sustain will also hinge on how downstream markets pan out from here.

Even as some were resigned to having to fork out more if they wanted to secure Asia-origin cargoes, the end-users said that they would not be able to afford higher if their own derivative markets remain sluggish in nature.

This echoed the views of their China counterparts, many of whom have already scaled back their own operations to cope with runaway feedstock prices in the domestic market. Their prior interest to purchase BD imports also fizzled in line.

Some China BD producers also turned to exporting BD instead this week, to make up for reduced domestic sales. But as their selling expectations are on par with other regional BD sellers, regional buyers said that this provided little relief on cost front, and that they would keep a look-out for other alternative supplies, such as possibly materials from Europe.



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OUTLOOK

- Demand to hinge on derivative market performance
- Upcoming maintenance will weigh on regional supplies
- But some supply respite likely if inflow from Europe extends

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+50	1200.00-1250.00	+50	950.00-1050.00	54.43-56.70
CFR NE Asia	USD/tonne	+50	1200.00-1300.00	+50	970.00-1000.00	54.43-58.97
CFR Taiwan	USD/tonne	+50	1200.00-1300.00	+50	970.00-1000.00	54.43-58.97
CFR SE Asia	USD/tonne	+50	1150.00-1250.00	+50	920.00-950.00	52.16-56.70

China

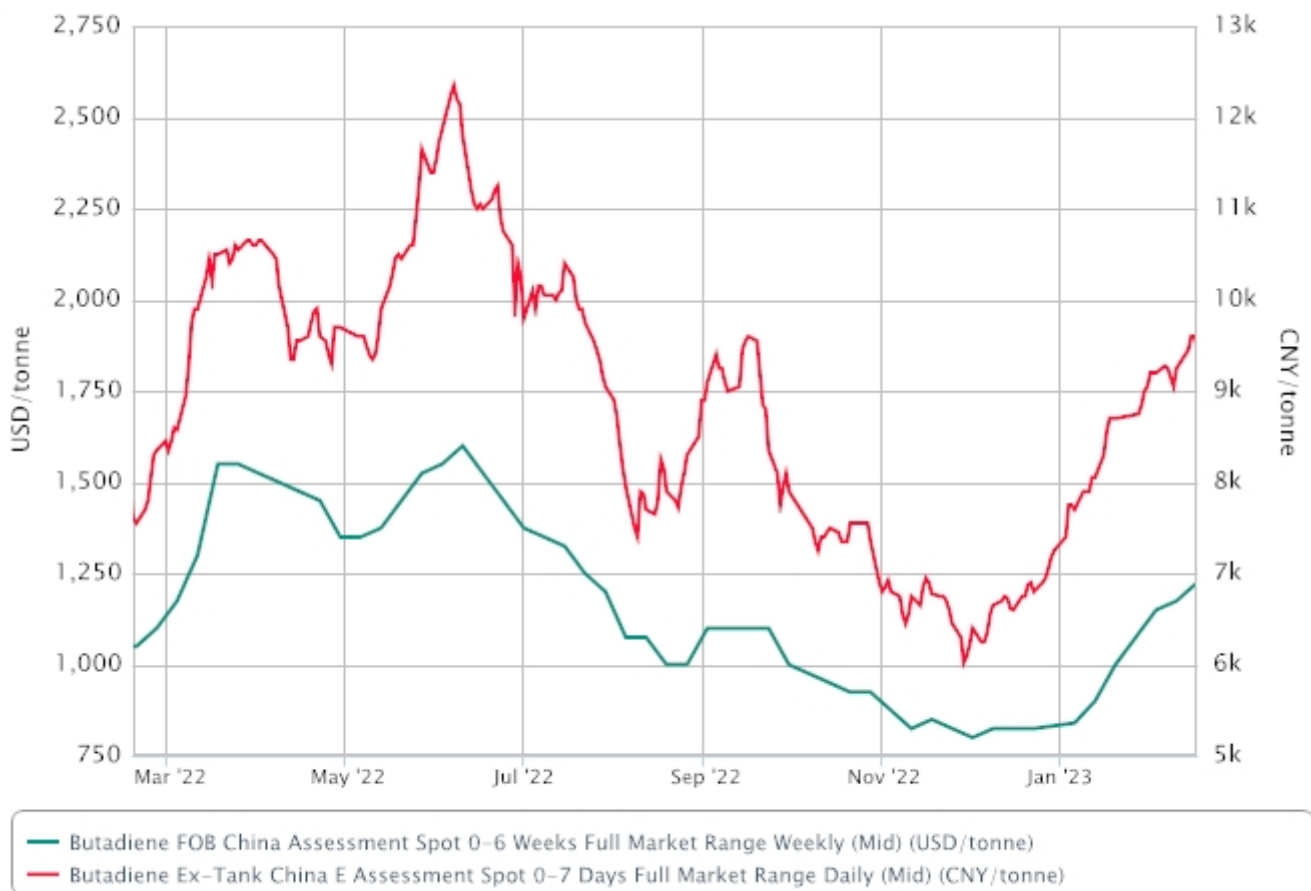
Export discussions picked up pace this week, as more players in China turned to selling BD, instead of buying.

FOB China assessments are up, tracking fixed-price discussions heard earlier in the week, in the \$1,200-1,250/tonne FOB China range.

But deals concluded – mostly for shipment to South Korea – were eventually done on formula basis, market sources said.

By late week, selling indications for remaining export availabilities were in the \$1,250-1,300/tonne FOB China range,

Domestic ex-tank prices in east China are up week-on-week, with higher deals heard.



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Northeast Asia

CFR NE Asian prices were assessed up, taking into account firmer discussions and indications for shipment to different regional outlets.

Sellers' expectations were heard generally at the high-end and up. But most veered towards finalising spot transactions on formula-linked basis, instead of fixed-price terms.

Two southeast-Asia-origin cargoes were heard sold this week on formula-linked basis indeed.

Buyers' response differs too depending on outlets. The low-end tracked limited, but non-conclusive, fixed-price talk for China-bound cargoes, while discussions for March shipment to Korea and Taiwan are reflected at the higher-end of the published range.

China-origin cargoes were also surfaced for spot sales this week, and some cargoes may have changed hands, on FOB China basis, for March shipment to Korea, although details of players involved could not be ascertained.

On a delivered basis, these trades are pegged to about mid-to-high \$1,200's/tonne CFR NE Asia, market sources said.

Some regional buyers are also looking into the feasibility of purchasing deep-sea origin materials, specifically from Europe, and discussions for March arrival parcels took place at high \$1,200's/tonne CFR NE Asia, market source said.

CFR Taiwan assessments were adjusted with changes in CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Jan 23	Dec 22	Nov 22	Oct 22	Sep 22	Aug 22	Jul 22	Jun 22
Taiwan FPCC	855	755	755	795	885	1,025	1,255	1,450
Korea YNCC	905	795	755	745	920	983	1,315	1,555

Southeast Asia

CFR SE Asian assessments were adjusted with changes in CFR NE Asian assessments.

A cargo may have changed hands, possibly for prompt February shipment, at the high-end of the published CFR SE Asia assessment, market sources said. But fuller details are not available by press time.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

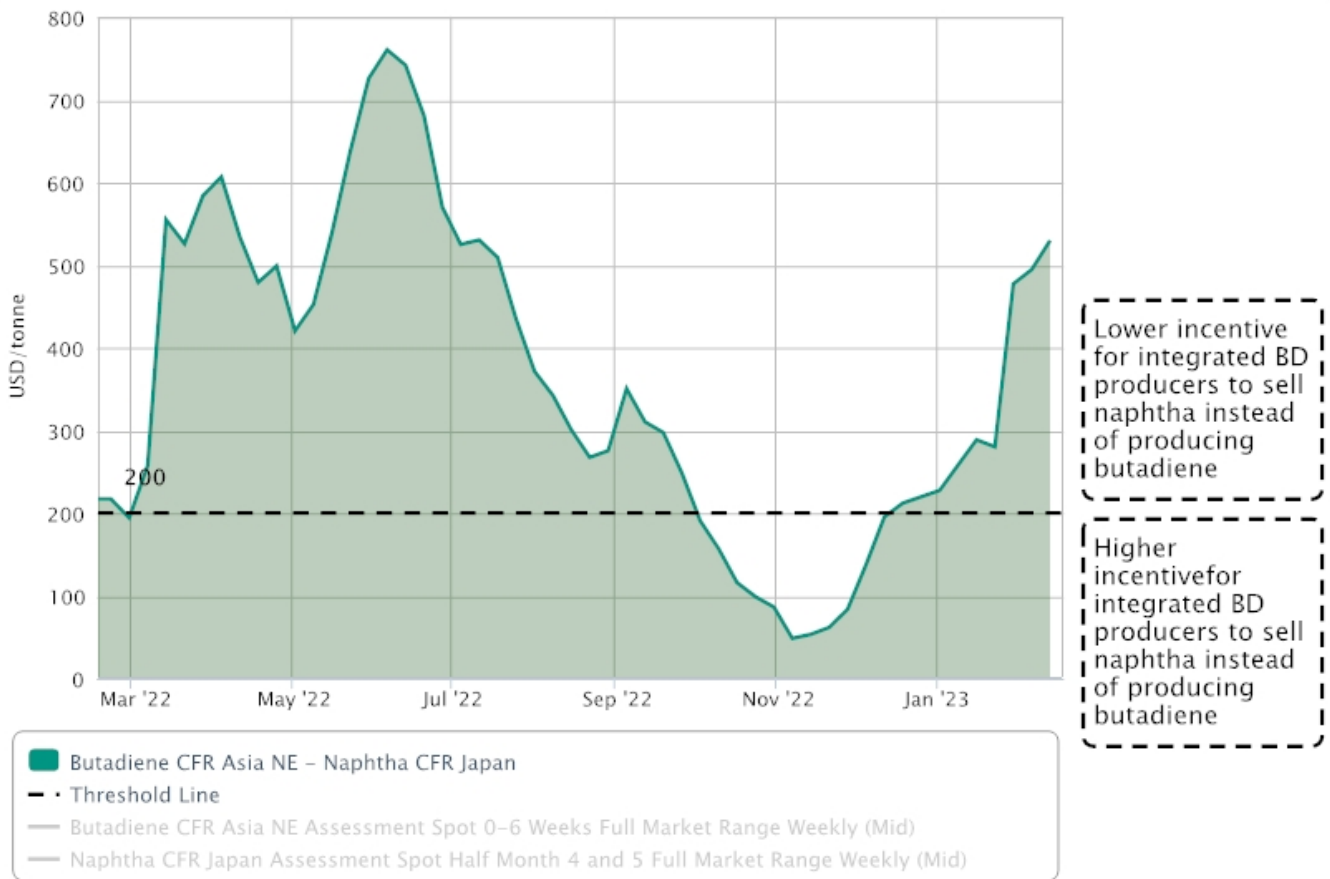
			Price Range	One Week Ago	/
Butadiene					
Ex-Tank E China	CNY/tonne	n/c	9400-9600	-200	9200-9300

UPSTREAM

Naphtha:

- Supporting demand cushions prices
- Slim arbitrage prospects curb eastbound flows
- Intermonth backwardated spread widens as sentiment improves

[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.

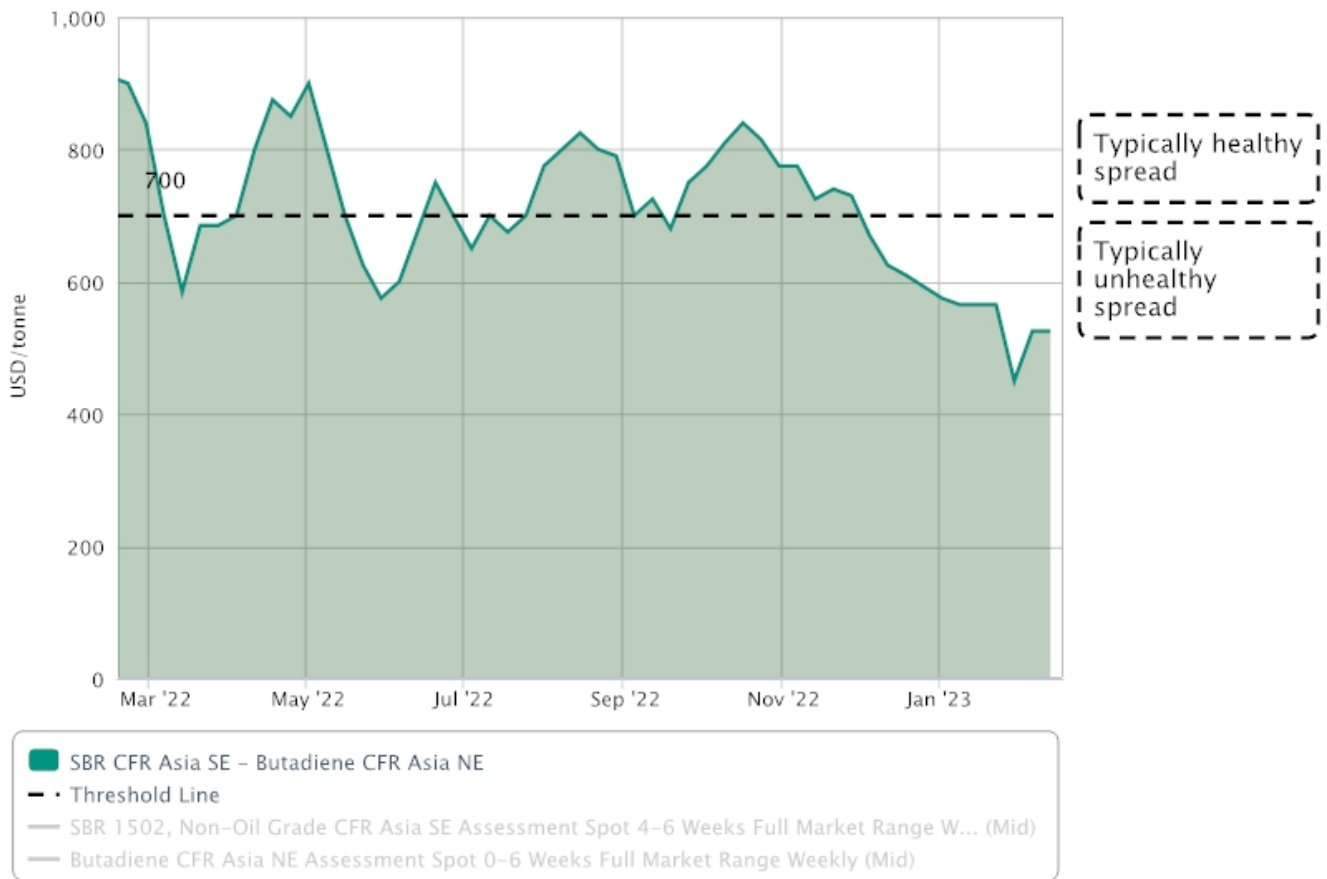
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Offers supported on cost push
- Firmer deals in SE Asia for limited volumes
- Buyer resistance high in other areas

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

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



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Acrylonitrile butadiene styrene (ABS)

- Import prices stable to soft
- Buying interest subdued by underperforming end-use sectors
- Some sellers lower offers to induce trades, despite margin losses



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PRODUCTION

In northeast Asia, overall BD output is expected to remain capped in the near term, as weak margins continue to weigh on operating rates at many upstream crackers, forcing in turn some BD plant [closures](#) too.

There is also a wave of maintenance [closures](#) expected in the April to June 2023 window in South Korea.

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

OTHER REGIONS

Europe

- Production tailored to demand
- Mixed views regarding offtakes, some small increases, but also some slightly worse
- Active discussion on spot export – eyes on Asia developments, less active on domestic

US

- Spot activity muted
- Supplies ample on weak demand despite maintenance
- Import demand weakens, freight higher on tight Americas shipping market

ANALYTICS

ICIS Butadiene Outlook

US butadiene (BD) consumption is likely to remain subdued in the first months of the year. According to appliance maker Whirlpool's Q4 earnings, the current environment is likely to persist into H1 2023, with a drop in demand being from 5% to 10%. Demand will improve in H2, particularly in North America. That said, the impact of planned BD unit turnarounds in the US in Q1 should be alleviated by high inventory levels and soft demand. US-origin crude C4 feedstock for BD extraction facilities should rise slightly in 2023, on paper, because of increased ethylene production capacity. However, as steam cracker margins are expected to be compressed in the few weeks to come, players could cut operating rates, limiting crude C4 availability.

European BD demand may be slightly healthier over the next weeks than expected a few months ago. Synthos is scheduled to restart polybutadiene production at its plant in Schkopau, Germany, in March 2023. The plant, which was idled in 2020, consumes about 30,000 tonnes/year of BD at full throttle. The company will be resuming activities because of robust market demand for butadiene rubber, particularly from existing customers. European BD producers may eye Asia to free up some cargoes on the spot market. It is the broad consensus that durable goods demand may increase in H2 2023. Expectations of easing inflationary pressures should help raise consumption in Europe. New passenger car registrations will improve this year, but the propensity to make important purchases is expected to remain very low compared with historic levels.

Tailwinds in China following the economy reopening may support BD demand. With margins expected to remain low, crackers could continue cutting operating rates during the next few weeks, thus capping crude C4 output. This, combined with a heavy regional maintenance scheduled, is likely to drive up Asian BD prices in H1 2023. In contrast, pressures on supply may be eased by deep-sea imports and new ongoing projects. In terms of plant news, two new Chinese BD plants - PetroChina Guangdong at Jieyang and Sinopec Hainan at Yangpu, both with a capacity of 110,000 tonnes/year - are expected to be commissioned between February and March. Long Song Petrochemical's 110,000 tonne/year project in Vietnam is also set to start operations in mid 2023.

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