



## Butadiene (Asia-Pacific)

**By Ai Teng Lim**  
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[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Downstream](#) | [Production](#) | [Other Regions](#) | [Analytics](#)

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

### OVERVIEW

- **Buying appetite shrunk with [weaker domestic China](#)**
- **But import offers still see some support from prompt supply limitations**
- **Buy-sell gap widens**

Sentiment in Asia's spot market for butadiene (BD) imports was dented this week, after heavy early-week losses in the yuan-denominated domestic China market.

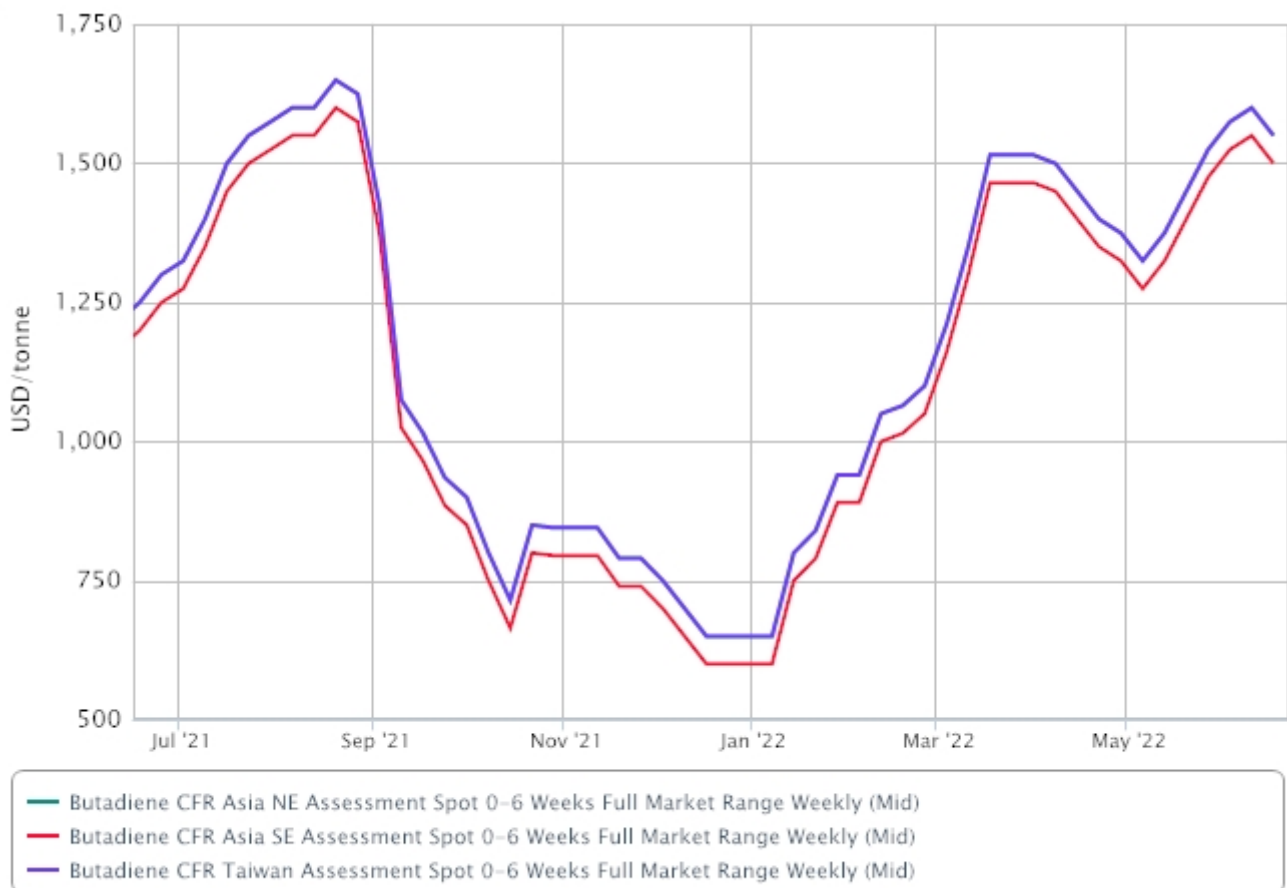
Domestic China BD makers slashed domestic prices to induce sales, especially after local output is poised to rise once several local plants that were previously shut on economic considerations restart.

Recovery of downstream operations in China post-lockdown is also still [bumpy](#) in nature, heightening concerns about longer term demand prospects for BD, market sources said.

Regional end-users also turned cautious and refrained from bidding more aggressively for BD cargoes, focussing instead on how better to shore up their own compressed downstream margins.

But as July shipment availabilities are limited, and would stay low as long as operations at upstream crackers are not restored, sellers in wider Asia who have some BD cargoes at hand held fast to their prior expectations, confident that those who needed to procure will have few options but to bid up to secure volumes.

That said, most players were heard still leaning towards transacting on formula-linked basis, instead of on fixed price terms, and market sources said this underscored the reality that buyers and sellers were widely divided in their pricing outlook.



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## OUTLOOK

- Anticipation high that supply will lengthen in due course
- Demand will hinge on auto sector growth tempo
- Wide buy-sell gap may persist for some time more

## 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	-50	1500.00-1550.00	-100	1400.00-1500.00	68.04-70.31
<b>CFR NE Asia</b>	USD/tonne	-50	1500.00-1600.00	-50	1400.00-1500.00	68.04-72.57
<b>CFR Taiwan</b>	USD/tonne	-50	1500.00-1600.00	-50	1400.00-1500.00	68.04-72.57
<b>CFR SE Asia</b>	USD/tonne	-50	1450.00-1550.00	-50	1350.00-1450.00	65.77-70.31

### China

FOB China assessments fell with lower offers heard.

In the yuan-denominated market, ex-tank prices in east China slumped this week, giving BD makers more room to price down their export offers as such.



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**Northeast Asia**

CFR NE Asian assessments were down, tracking softer buy-sell indications heard in the course of the week.

No transactions materialised on fixed price basis during the week, and concrete offers/bids were also scant.

The high-end tracks lowest selling indications heard for China-origin cargoes. Sellers in wider Asia generally kept to higher targets, even though this drew minimal response from potential buyers.

The low-end is also dropped with softer buying indications heard. Buyers said that they were not able to pay more for feedstock as downstream margins were already severely compressed.

Many of them were also convinced that regional supplies will lengthen once more plants return from maintenance or if new projects are started up in July.

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

Monthly    May 22    Apr 22    Mar 22    Feb 22    Jan 22    Dec 21    Nov 21  
 Contract  
 DEL, \$/ton  
 ne

Taiwan FPCC	1,360	1,415	1,355	1,040	795	780	885
Korea YNCC	1,445	1,445	1,335	1,015	835	645	800

**Southeast Asia**

CFR SE Asian assessments were also dropped in tandem with changes seen for CFR NE Asian assessments.

A SE Asia-origin cargo was sold this week, via tender, for H2 July shipment. The deal was concluded on floating basis, market sources said.

**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	-100	10800-11200	n/c	11700-11900	-

**UPSTREAM**

**Naphtha**

- Crack spread mired in negative zone
- Demand tepid, supply overhang
- Poor margins weigh on market

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



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

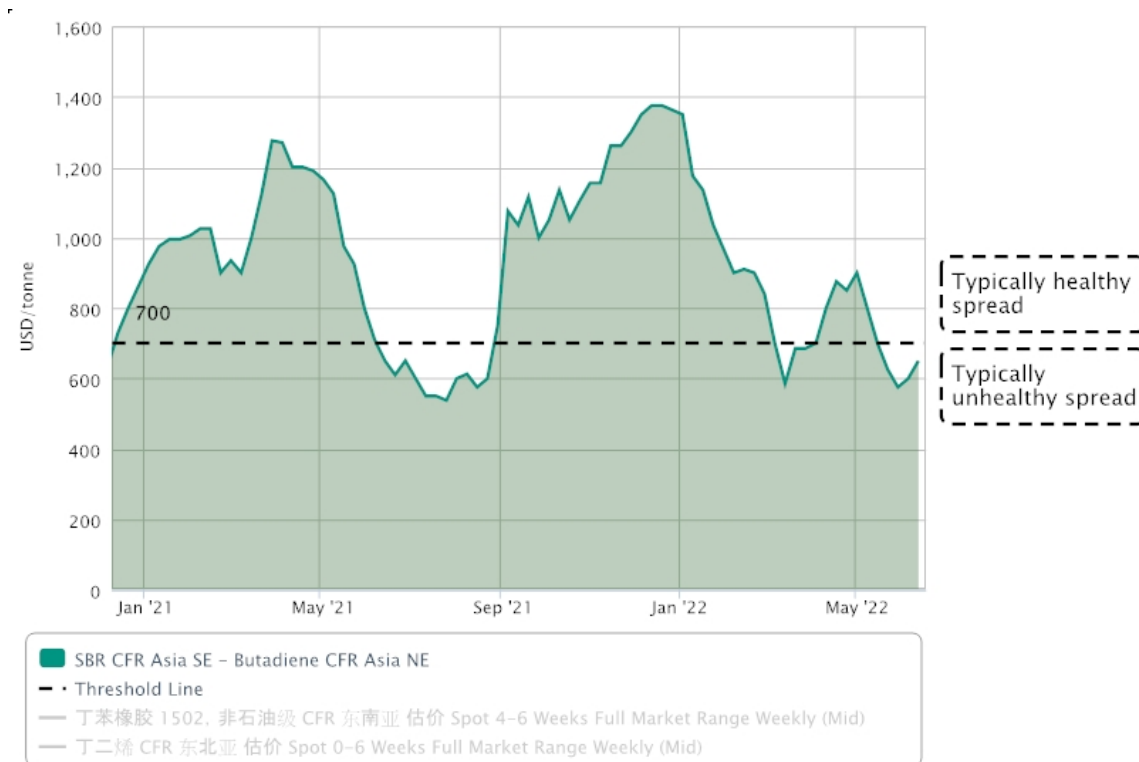
## DOWNSTREAM

### Styrene-butadiene-rubber (SBR)

- Offers up on cost pressures
- Supply may tighten due to looming op rate cuts
- Buyers resistant and trade liquidity curtailed

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

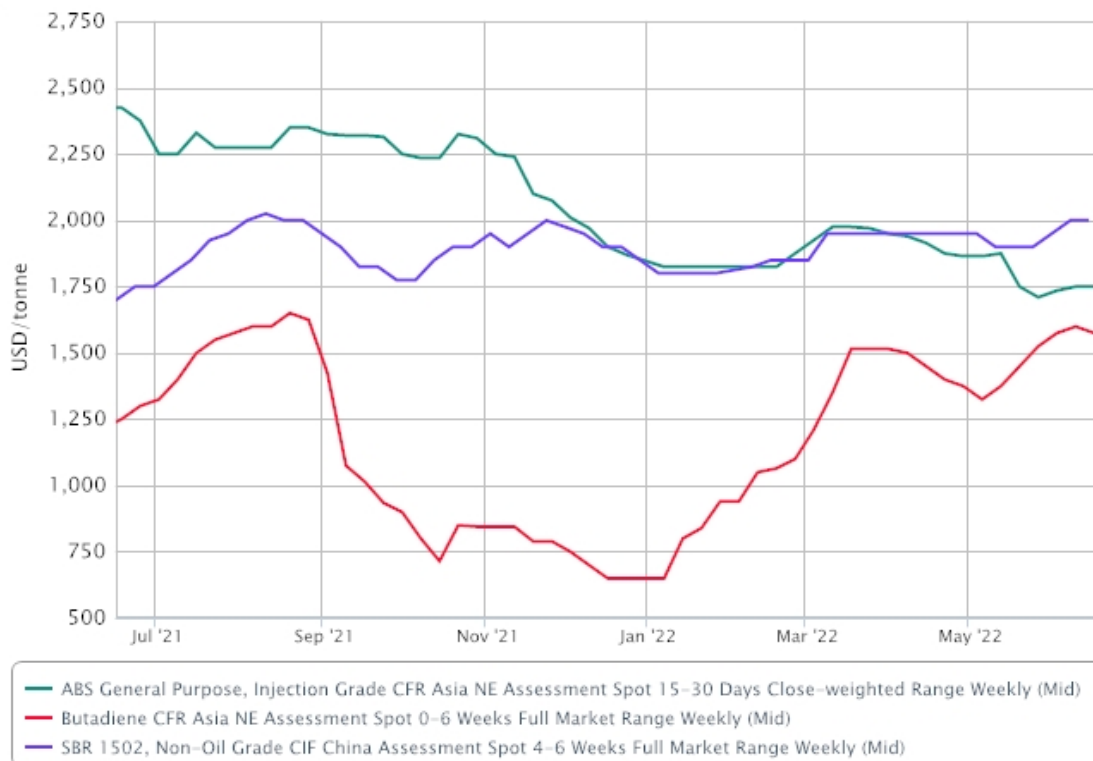
#### [Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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### Acrylonitrile butadiene styrene (ABS)

- CFR NE Asia flat, snaps two-week uptrend
- Demand subdued as Shanghai resumes partial lockdown
- Imports continue to be passed over for lower-priced local goods, on logistical restrictions, weak yuan



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## PRODUCTION

Regional butadiene (BD) output is tightened in June, alongside lower operations at upstream crackers.

But with more local China plants restarting from extended maintenance, as well as on anticipations of new plants coming on-line, such as a 185,000 tonne/year [unit](#) in SE Asia, regional supplies may lengthen in the second half of the year, market sources said.

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

## OTHER REGIONS

### US

- Supplies balanced with demand levels
- Limited spot availability offset by weak demand
- Import interest muted

### Europe

- Finely balanced fundamentals persist
- Restart delays post turnarounds, plus light feedstocks continue to constrain BD
- Limited spot market availability and demand but some interest relating to supply issues
- Increased potential for exports to US, but Europe availability a limitation, no spot fixed

## ANALYTICS

## ICIS Butadiene Outlook

Shell's butadiene (BD) unit at Norco, Louisiana, will remain offline throughout June, reducing the total US BD monthly capacity available by about 11%. US buying interest in European BD cargoes is very limited although the arbitrage window is workable on paper. In Q3 2022, BD production is expected to total about 400,000 tonnes in the US, up from about 335,000 tonnes in the same period a year earlier, when Hurricane Ida damaged several refining and petrochemical complexes in Louisiana, causing power outages at most plants. This year the National Oceanic and Atmospheric Administration forecasts an above average hurricane season. In its last outlook, AutoForecast Solutions predicted a further loss in US automotive production of 106,000 units, totalling 254,000 throughout 2022.

European BD supply is anticipated to be capped over the coming weeks. Indeed, as liquefied petroleum gas (LPG) is expected to be more convenient than naphtha, mixed-feed cracker producers will continue to switch from naphtha to lighter feedstock. Given LPG crackers yield smaller quantities of crude C4 than heavier feedstocks, raw material for BD extraction units should be less available, negatively impacting production. Heading into H2 2022, the tyre sector is forecast to weaken because of the grim economic scenario, the expectations of monetary tightening in Europe and the impact of inflation on consumer and producer prices. Tyre maker Pirelli in Q1 predicted global demand for car tyres is likely to grow by less than 1% in 2022 on the back of lower car production levels and the decline in car tyre demand in China.

With Asian crackers running at low rates, crude C4 is expected to be limited over the next few months. This will negatively impact BD production and trigger bullish sentiment in the Asian market in June and July. Meanwhile, BD production capacity in southeast Asia is being increased. Indeed, the BD plant of Pengerang Refining and Petrochemical, or PRefChem, at Pengerang Johor, Malaysia, will shortly resume commercial operations. All the BD will be sold in the spot market because the petrochemical complex does not have a BD derivative unit. Four new Chinese BD units are planned to come onstream in the remaining months of 2022, adding a combined nameplate capacity of 520,000 tonnes/year. Overall, China's BD capacity will increase by 14% in 2022 compared with 2021.

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