



## Butadiene (Asia-Pacific)

**By Ai Teng Lim**  
**20-May-2022**

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

### OVERVIEW

- **China export offers rose**
- **Domestic China up in line**
- **Supply concerns linger in wider Asia**

Discussions in Asia's spot butadiene (BD) markets were buoyant this week, tracking firmer buy-sell indications heard.

But spot trade liquidity remains low with buyers and sellers still widely apart in their pricing outlook.

Some spot transactions, involving H1 Jun shipment of China-origin materials, transpired early-week at levels over the prior week's assessments.

This in turn boosted confidence among China BD makers, prompting them to chase higher prices for export sales in the rest of the trading week.

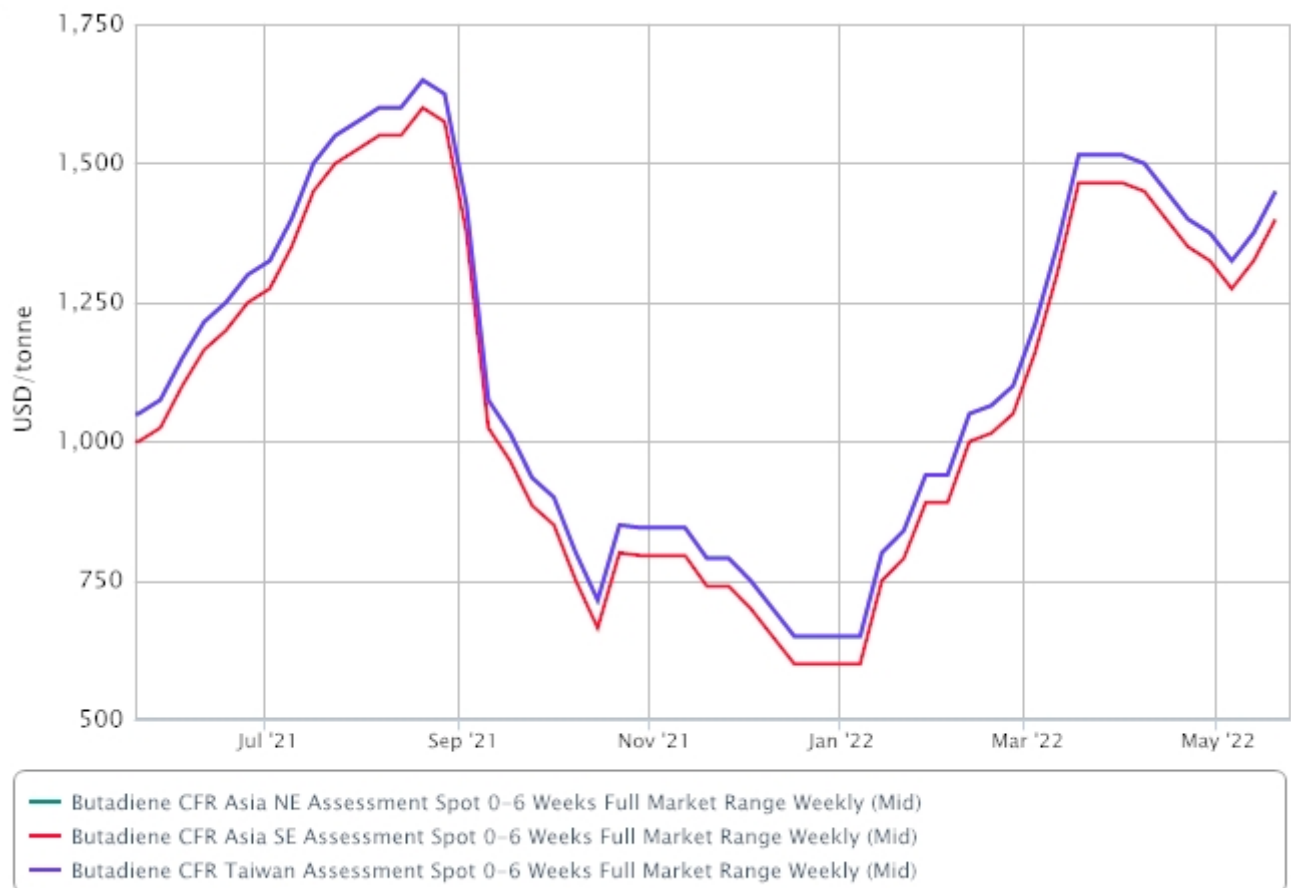
The domestic China market also rose week-on-week, tracking gains seen in export trades.

Sell-side sentiment was also buoyed by what traders deemed as [positive demand](#) in Korea, where end-users were keen to purchase spot cargoes to safeguard against any possible contractual volume cuts if operating rates at the various [beleaguered](#) upstream crackers are trimmed further.

But, given compressed downstream margins, potential buyers were also hesitant to raise bids by much. As such, the buy-sell gap remains wide, stifling meaningful spot negotiations.

Some were also inclined to wait until there is more clarity about whether a 185,000 tonnes/year BD unit in southeast Asia, which was shut in 2020 after a fire, could [restart](#) as expected in the next one to two months.

If so, this will help lengthen regional supplies and temper offers.



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## OUTLOOK

- Supply outlook mixed
- Existing output may shift if more crackers switch to LPG feed
- Balance may shift if new units come on stream

## 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	1400.00-1500.00	+100	1400.00-1500.00	63.50-68.04
<b>CFR NE Asia</b>	USD/tonne	+50	1400.00-1500.00	+100	1350.00-1450.00	63.50-68.04
<b>CFR Taiwan</b>	USD/tonne	+50	1400.00-1500.00	+100	1350.00-1450.00	63.50-68.04
<b>CFR SE Asia</b>	USD/tonne	+50	1350.00-1450.00	+100	1300.00-1400.00	61.24-65.77

### China

FOB China prices were assessed higher with firmer discussions heard.

Buying indications were heard at the low-end, which also reflected deal-done levels in the week prior.

But offers rose higher, at the high-end.

In the yuan-denominated market, ex-tank prices in east China trended up as sellers raised offers, after domestic inventories were drawn down with vibrant export business in recent times.



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### Northeast Asia

CFR northeast Asian assessments also rose with firmer buying indications heard.

Offers were heard at the high-end or above.

For buyers with seemingly more pressing requirements, some were heard prepared to consider paying high-\$1,400s/tonne for June delivery shipments.

But for others with more subdued appetite, their buying indications were heard capped at the low-end of the published range.

The mid-point was also aligned with the last transactions, which market sources said transpired shortly after the assessment window in the week prior.

CFR Taiwan assessments were adjusted up on the low-end, in line with the changes in CFR NE Asian assessments.

Monthly Apr 22 Mar 22 Feb 22 Jan 22 Dec 21 Nov 21 Oct 21 Sep 21 Aug 21 Jul 21  
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Taiwan	1,415	1,355	1,040	795	780	885	870	1,175	1,545	1,380
FPCC										
Korea	1,445	1,335	1,015	835	645	800	790	1,050	1,650	1,470
YNCC										

### Southeast Asia

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

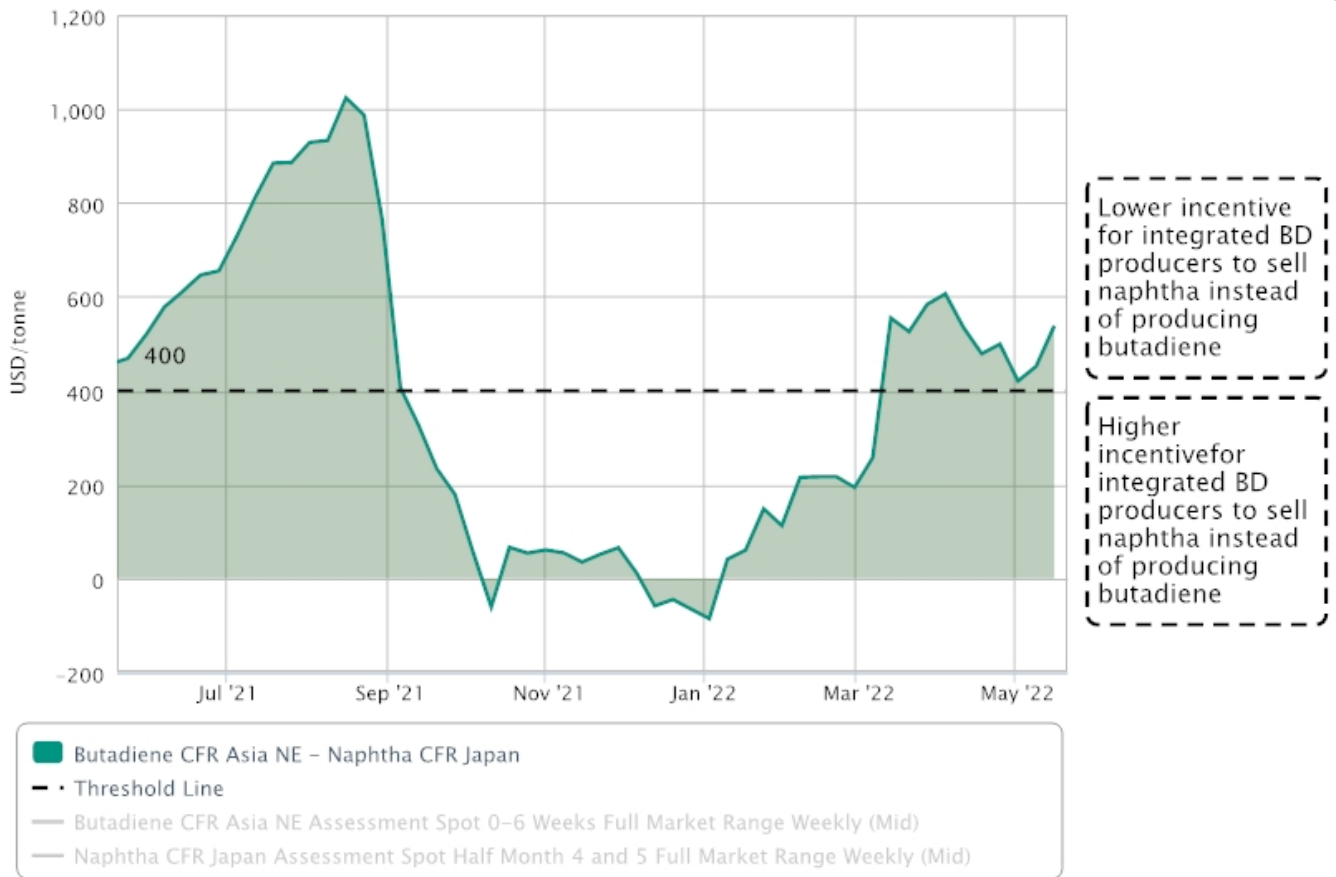
### SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
<b>Butadiene</b>						
<b>Ex-Tank E China</b>	CNY/tonne	n/c	10400-10500	-100	9800-10000	-

### UPSTREAM

Asia-Pacific naphtha markets lacked momentum amid cautious demand for July cargoes and poor downstream margins for olefins. Naphtha's prompt-month crack spread weakened to below \$70/tonne.

[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 spot assessments for **styrene butadiene rubber (SBR)** were mostly rangebound but discussions remained split for cargoes from different origins.

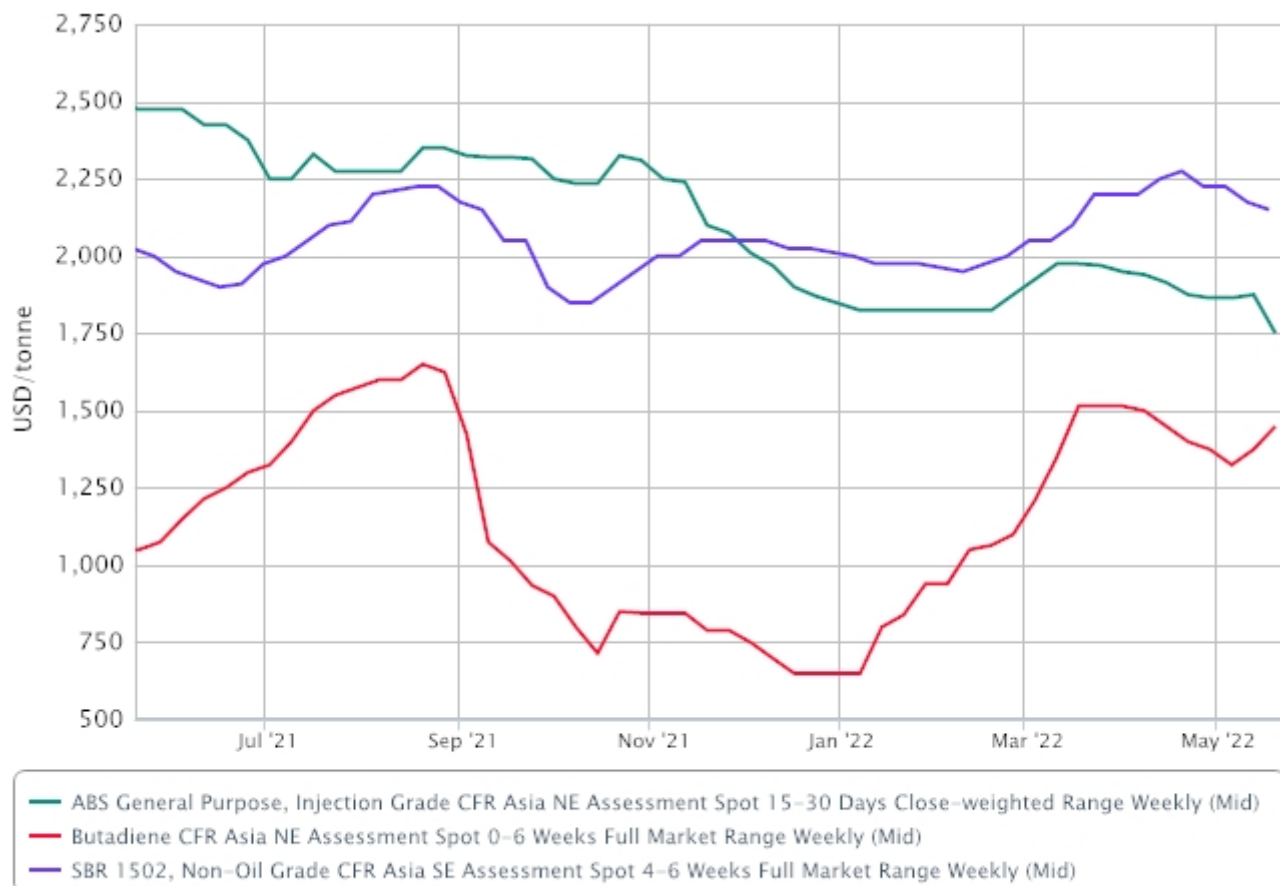
The chart below shows the spread between BD and SBR in Asia.

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



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The northeast Asian spot **acrylonitrile butadiene styrene (ABS)** import prices fell, failing to hold onto last week's rebound that occurred after a seven-week downtrend. Production cuts were overcome by the persistently poor end-use demand, which had been hurt by the lockdowns in China and the Russia-Ukraine war. Offers had to be reduced as stock levels burgeoned.



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## PRODUCTION

With many northeast Asian crackers still operating at sub-optimal rates for May, prevailing regional output of BD remains crimped. Furthermore, several plants have scheduled [maintenance](#) in May.

Whether the constraints may ease in coming months will hinge on how cracker operating rates will pan out, as well as whether a 185,000 tonne/year unit in SE Asia can [start up](#) as planned within Q2 2022.

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

## OTHER REGIONS

In the US, nominations for [June](#) BD contracts have emerged at levels 2 cents/lb higher than May.

## ANALYTICS

### ICIS Butadiene Outlook

ICIS forecasts a worse outlook for US BD consumption for 2022 compared with November 2021 projections. Downstream demand is now expected to fall by around 2.5% year on year against 1% in the previous outlook and will still remain below pre-pandemic levels. The adiponitrile (ADN) industry will be the hardest hit, with demand decreasing by about 18% from 2021. Across the board, this less favourable outlook for the BD industry is likely to be dictated by the fact that the US economy may be at risk from higher inflation. On the production front, TPC Group aims to expand its Houston BD plant's 546,000 tonne/year capacity by 20% by the first quarter of 2023. Europe may see a contraction in BD trade flows to deep-sea destinations as a result.

ICIS has revised down 2022 European BD demand growth rate by about one percentage point to 5%, compared with the November 2021 outlook. European BD derivative demand will be back to the pre-pandemic consumption levels, although it is forecast to grow at a slower rate than in 2021. Versalis's steam cracking plant in Porto Marghera, Italy, is in the process of decommissioning and will halt crude C4 flows to the BD extraction unit at Ravenna. Consequently, supply-chain difficulties may occur in the months ahead, supporting prices. Demand for original equipment tyres in Europe is likely to remain constrained, given that automotive production continues to be hit by semiconductor shortages. The war in Ukraine has aggravated the lack of automotive components.

Based on spring updating of the ICIS Supply and Demand Database, Asian BD demand this year is set to grow by 5.6%, lower than the 6.3% projection made in November 2021. Slowing demand growth is likely to be due to lockdowns in China, port congestions and the automotive industry crisis.

For 2022, the Chinese polybutadiene rubber (PBR) demand growth rate has been cut by three percentage points to 8.1% from the previous forecast, due mainly to continued supply-chain disruptions that are expected to contain tyre export growth. BD production in southeast Asia will increase thanks to the restart of Pengerang Refining and Petrochemical's plant at Pengerang Johor, Malaysia, likely in June. The petrochemical complex includes 185,000 tonnes/year of BD capacity and, as it does not have a derivative unit, all the BD output will be sold in the spot market.

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