Butadiene (Asia-Pacific)

By Ai Teng Lim
28-May-2021

Overview | Outlook | Prices | Upstream | Downstream | Production | Analytics

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

OVERVIEW

- **Sentiment more upbeat**
- **Healthy buying**
- **Sellers bullish in nature**

Asia spot talks for butadiene imports gained some ground, supported by an uptick in buying tempo seen in the week.

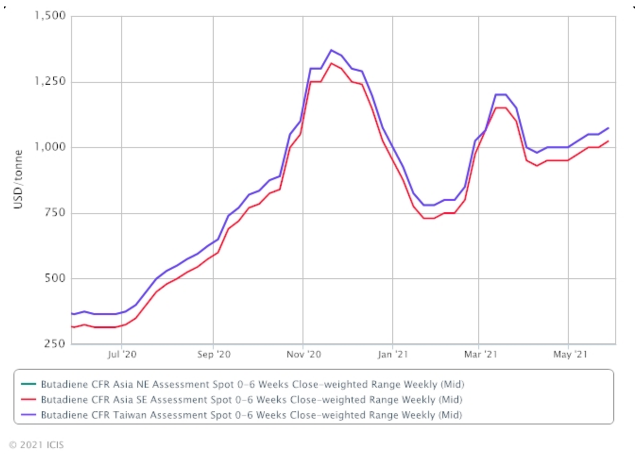
End-users with concrete requirements stepped up to purchase some spot volumes for June shipment.

With some sellers heard resolutely confident that existing spot supply constraints would keep offers firmly supported, market sources said that some buyers raised bids to secure volumes.

But lingering uncertainties on when new BD projects in the region may come on stream continued to cloud longer-term outlook.

Some buyers remain cautious, saying that they will go slow on bulk purchases until there is more clarity on the timeline for new supply.

Some were also hopeful that China would continue to step up BD exports, which could in turn help fill supply gaps in wider Asia caused by an ongoing heavy wave of regional plant turnarounds.



OUTLOOK

- **Cargo availabilities from China may grow**
- **But upcoming turnarounds will weigh down output in wider Asia**
- **Coronavirus worries may continue to weigh on demand**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
CFR NE Asia	USD/tonne	+50	1050.00-1100.00	n/c	950.00-1050.00	47.63-49.90
CFR Taiwan	USD/tonne	+50	1050.00-1100.00	n/c	950.00-1050.00	47.63-49.90
CFR SE Asia	USD/tonne	+50	1000.00-1050.00	n/c	900.00-1000.00	45.36-47.63

Northeast Asia

CFR northeast Asia prices were stable to firm, with low end raised in line with higher buying indications heard.

The high-end held steady, buttressed by a deal heard closed in the week, for a late June/early July shipment to northeast Asia of an Asia-origin cargo.

Some China-origin cargoes were also heard sold for June shipment to Korea, although these were all closed on floating basis, market sources said.

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

Monthly Contract DEL, $/tonne	Apr 21	Mar 21	Feb 21	Jan '21	Dec `20	Nov `20	Oct `20	Sep `20
Taiwan FPCC	1,050	1,135	880	950	1,255	1,230	940	770
Korea YNCC	987	1,102.50	827.50	867	1,263	1,325	942	723

East China domestic prices DEL (CNY/tonne)

Domestic China prices continued to edge up, as prompt supplies in the country tightened with a year-on-year surge in China's April BD exports.

Price (CNY/tonne)	Current week	Previous week
DEL east China	7800-7800	7,600-7,700

Southeast Asia

CFR southeast Asian assessments were also assessed in a narrower range, taking into account discussions heard in the week.

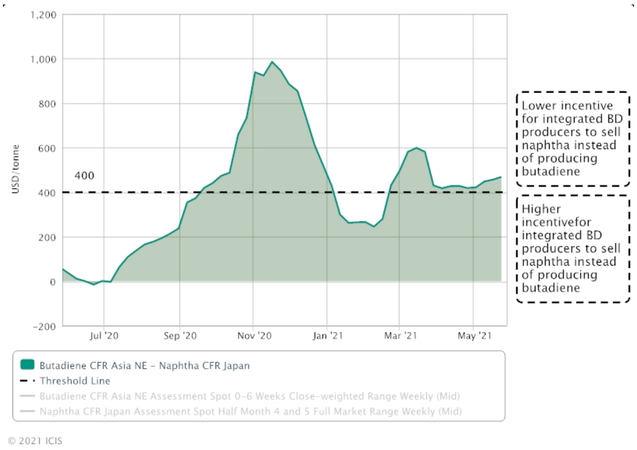
Selling ideas were mostly at or over the high-end of the published range, market sources said, while the low-end was lifted to reflect firmer buy-side indications heard.

A deal transpired in the week, for H2 June delivery to a southeast Asian destination. The transaction was closed on floating basis, albeit at a higher premium than prior and similar trades, market sources said.

UPSTREAM

Asia-Pacific **naphtha** markets were buoyed by firmer global crude oil futures amid optimism in fuel demand. Steady end-user demand poised to be revved up by expanding cracking capacity helped to fuel sentiment, keeping the forward market structure in backwardation.

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



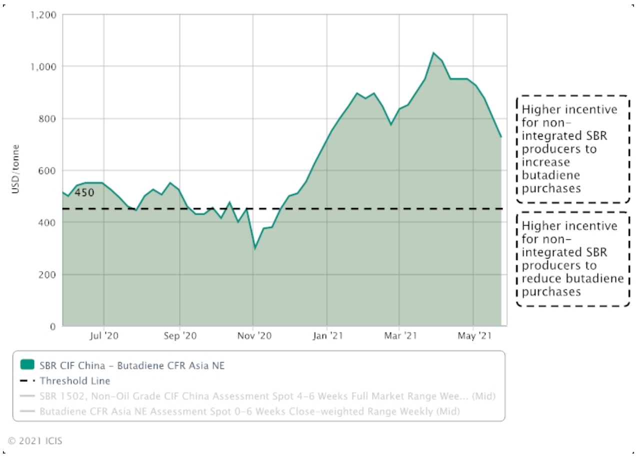
Click [here] for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** prices remained weighed down on lacklustre buying. Supplies also poised to grow if China continues to [export] actively.

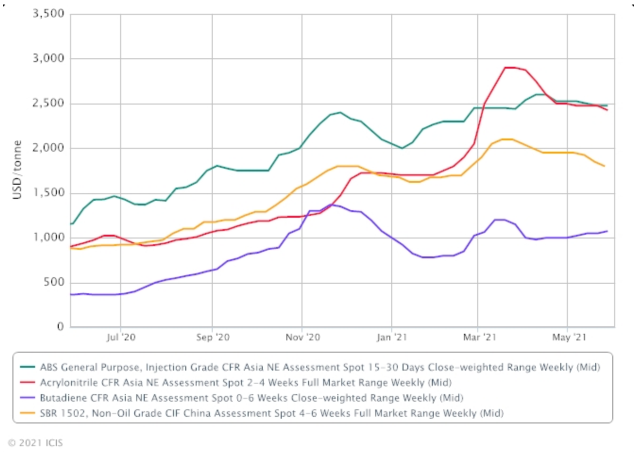
The chart below shows the spread between BD and SBR in Asia.

[Spread between Butadiene and Styrene Butadiene Rubber Asia]



Asian **acrylonitrile-butadiene-styrene (ABS)** prices held steady on rangebound talks, but buying momentum slowed down on faltering upstream values.

Asian **acrylonitrile (ACN)** market was assessed in a narrower range amid mixed fundamentals.



PRODUCTION

Q2 2021 output in Asia is weighed down by a seasonal wave of regional plant maintenance, but supply may lengthen in H2 2021 once new BD projects come on stream.

Click here for the Asian BD Live Disruption Tracker.

ANALYTICS

ICIS Crude Outlook

The price of Brent fell in April, primarily due to a more bearish demand outlook after several major European countries such as Italy, Germany and France, as well as India, announced fresh lockdown measures. Looking forward, at least some European lockdowns are expected to remain in May, which will somewhat delay the recovery in demand. In India, a major importer of oil, coronavirus cases are rising rapidly, which is likely to cause regional demand for oil to decrease. ICIS expects oil demand to recover at a higher rate in June, when it is expected that most countries will aim to remove major restrictions. On the supply side, OPEC+ will begin tapering its oil production cuts in May, with a total of 650,000 bbl/day of tapering expected in May and June respectively, and 850,000 bbl/day in July, equating to 2m bbl/day extra oil in the market by July. While this is a significant rise in oil supply, this additional production will arrive during a period where demand is also expected to increase significantly, and therefore the market should remain in balance.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Naphtha Outlook

The price of naphtha fell in April, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May, compared with February. This will prompt additional imports from the West to maintain supply to the region. After the Suez Canal blockage reduced West-East naphtha transfers in April, ICIS expects them to exceed 2 million mt in May. The European LPG-naphtha spread has reached its lowest point since mid-2020, with -$112/tonne recorded in mid-April. This is primarily due to warmer weather in Europe reducing the demand for LPG heating. ICIS expects that the spread will narrow slightly over the coming months; however, the overall spread will remain strongly negative until the end of the summer season.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Butadiene Outlook

US butadiene (BD) production reached about 270,000 tonnes in Q1 2021, based on the available data, down by about 12% on Q1 2020, as a consequence of polar storm-related shutdowns. Despite an increase in production to between 330,000 tonnes and 350,000 tonnes in Q2, tight market fundamentals are likely to persist. Another rise in output is forecast in Q3 2021 compared with Q2 2021, capping opportunities for exports from European producers.

The European BD market is set to be bullish for June amid healthy demand and constrained supply. Given the persistent effects stemming from February's deep freeze, the US market might continue attracting interest from several European producers during the next few weeks. In contrast, a bearish mood is expected for the BD industry for most of H2 2021 due primarily to the return of plants from seasonal maintenance combined with the start-up of new units in Asia.

Throughout H2 2021, South Korea will be adding new BD production capacity that is expected to increase from almost 1.3m tonnes/year to 1.6m tonnes/year this year and to about 1.9m tonnes/year in 2022, according to the ICIS Supply and Demand Database. Three new BD extraction units will be commissioned by Hyundai Chemical, LG Chem and Yeochun NCC in 2021. Another facility will be installed by Lotte-GS Chemical at Yeosu next year. South Korea, which is structurally short in BD, should see a gradual reduction in its shortfall and even halve it by 2025.

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

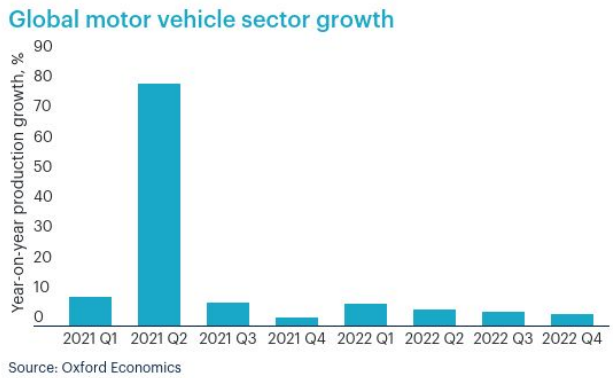
ICIS Downstream Automotive Demand Outlook

Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a shortage of semiconductor chips, which has led to widely-reported production cuts. However, February's polar storm in the US, several force majeures in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive

Research (CAR), by 2025 30.2mn new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the launch of a new energy supply plan "Power North," which will construct a charging and battery swapping infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst



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