



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
10-Mar-2022

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

OVERVIEW

- **Prices spiked across the board**
- **Support from upstream strengths and tightened supplies**
- **Active buying interest too**

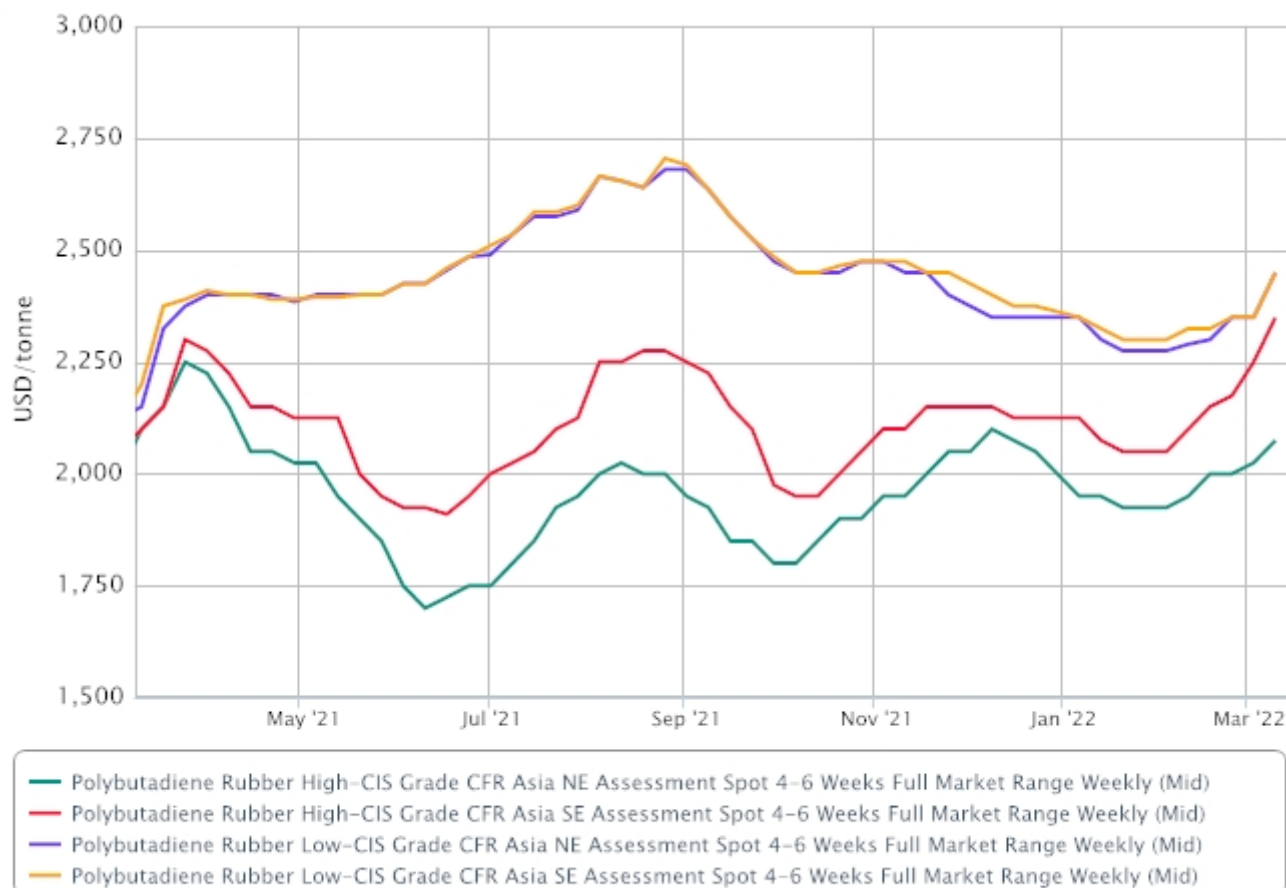
Sentiment is [buoyant](#) in Asia's spot discussions for polybutadiene rubber (PBR), as strong upstream values drove up offers in a tightly-supplied market.

Sellers elevated targets, citing need to recover increased production costs, as feedstock butadiene prices spiked with crude's recent rally.

As long as the [Russia-Ukraine conflict](#) does not ease to quell crude supply concerns, market players expected such upside pressures on PBR offers to linger.

On the buy side, enquiries are also active, from end-users seeking alternative supplies, either to replace output cuts stemming from an unplanned regional plant outage, or to fill potential voids if Russia-origin imports are disrupted by the ongoing conflict.

But even as some end-users raised bids to secure volumes this week, concerns have arisen about affordability issues in their downstream markets. Apprehensions are rife that the soaring oil prices may only serve to, in due course, [destroy downstream demand](#), market players said.



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OUTLOOK

- **Geopolitical tensions to drive up cost pressures**
- **Supplies also to stay tight in the near term**
- **But the tensions may also weigh in on downstream demand**

ICIS has analysed the potential impact of disruptions to Russia chemicals and polymers exports from international sanctions and logistics issues. While Russia's capacities on a global scale are relatively small, they can still have a significant impact on regional markets if these exports are disrupted. Russia has ramped up export capacity in some key products in recent years. See if supply disruptions could impact your markets:

<https://infogram.com/russia-exports-graphic-1hzj4o3e1v9j34p>

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+100	2400.00-2500.00	+100	2230.00-2350.00	108.86-113.40
CFR Asia SE	USD/tonne	+100	2400.00-2500.00	+100	2300.00-2350.00	108.86-113.40
Polybutadiene Rubber High-CIS Grade						

CFR Asia NE	USD/tonne	+50	2050.00- 2100.00	+50	1900.00-2000.00	92.99-95.25
CFR Asia SE	USD/tonne	+100	2300.00- 2400.00	+100	2050.00-2150.00	104.33-108.86

Northeast Asia

High-cis

High-cis PBR prices, on a CFR northeast Asia basis, rose, with firmer buy-sell discussions for cargoes bound for diverse NE Asian outlets.

Yuan prices for PBR also spiked week on week, tracking massive gains seen in the upstream butadiene market.

Price (CNY/tonne)	10 March	03 March
E China Ex-Warehouse	13,800-14,000	13,100-13,200

Low-cis

CFR northeast Asian assessments for low-cis materials also rose on firmer discussions. Some volumes were heard sold at levels nearer the high-end for prompt shipment, market sources said.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials spiked, taking into consideration higher deals and discussions heard.

Offers rose with tighter spot availabilities, and buyers with concrete requirements raised bids to secure volumes.

SMR 20 Natural Rubber Reference Price (US cents/kg) FOB Malaysia

Mar (1-10) 2022	Feb (1-24) 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021
179.28	179.84	178.12	172.08	175.65	174.39	163.23

Low-cis

CFR southeast Asian prices for low-cis materials were assessed up, tracking increased buy-sell pricing indications heard. But no deals were heard closed in the week.

India

In India, discussions for April shipment of high-cis materials also picked up pace, and buy-sell indications were heard at around \$2,250-2,300/tonne CFR India, market sources said.

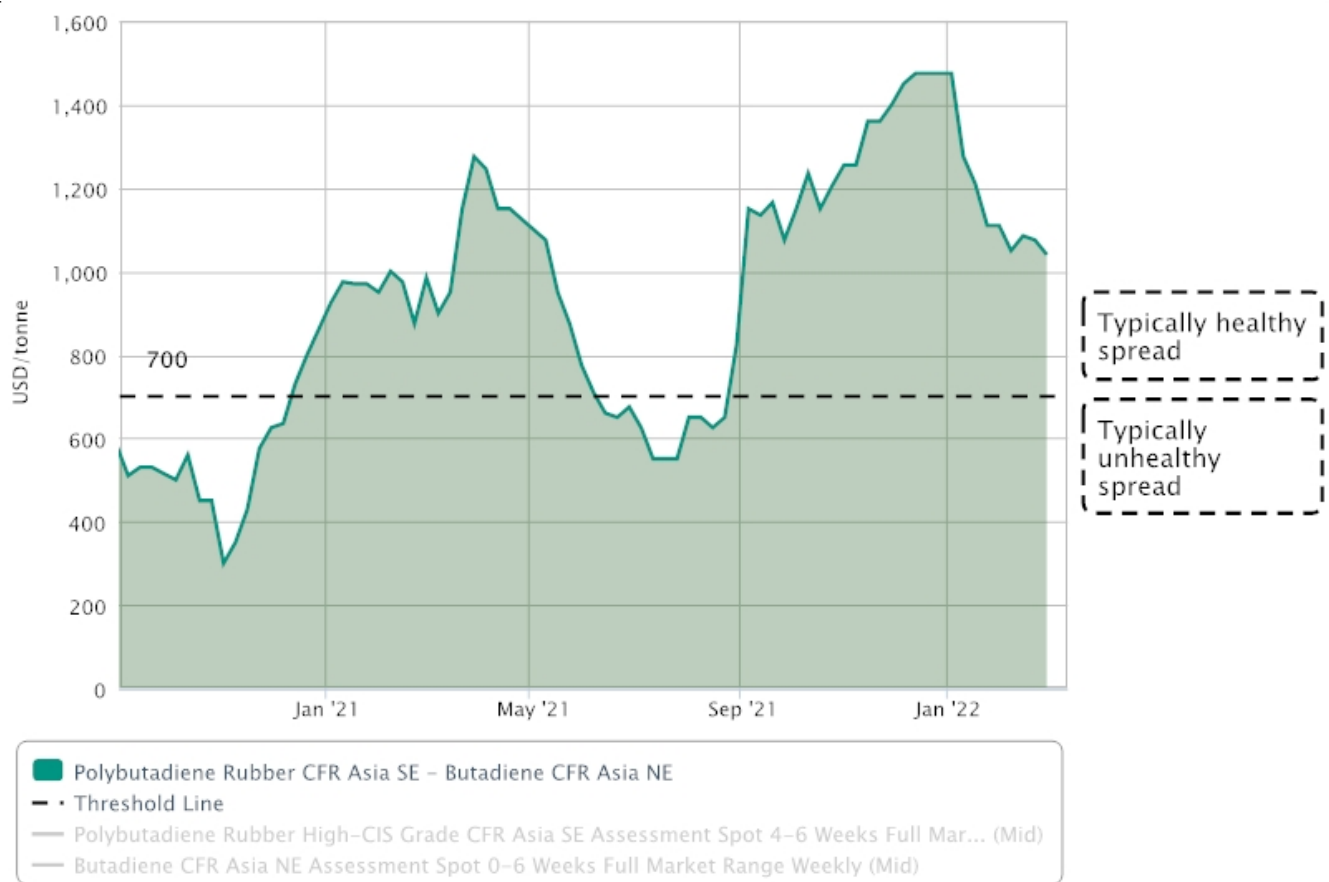
There were active enquiries from buyers heard looking for alternative volumes to replace their usual intake of Russia-origin imports, if supply of the latter becomes disrupted.

UPSTREAM

Asian butadiene spot prices extended gains, as discussions firmed amid sustained [bullishness](#) in domestic yuan-denominated pricing in China. There are rising concerns too that a fresh wave of [cracker operating rates cuts](#) in March and April will further squeeze BD output in the region.

The chart below shows the spread between butadiene and PBR.

[Downstream spread – butadiene NE Asia and PBR SE Asia](#)



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PRODUCTION

In China, average operating rates for PBR rose to 86% for the week ended 4 March, one percentage point higher than the week prior, market sources said.

Outside of China, spot supply tightened, not just due to [ongoing](#) maintenance, but also because of an unplanned [outage](#) in southeast Asia.

ANALYTICS

ICIS Crude outlook

The crude price will be driven by the Russia-Ukraine crisis in the immediate short term. The recently announced Western sanctions on Russia have primarily focused on individuals and Russian banks. These sanctions will make oil trade with Russia more difficult, but are unlikely to severely dent Russia's 2.3m bbl/day exports of oil to Europe in the short term. ICIS expects the military conflict to worsen over the coming weeks with the assumption of additional Western sanctions on Russia, but no expulsion from the SWIFT banking system. ICIS forecasts an average Dated BFOE crude price of \$110.50/bbl in March. Our base case assumes a long and protracted conflict

in Ukraine over the coming months, but since the current set of sanctions are not expected to pose a significant impact on Russia's oil exports, ICIS expects the risk premium due to this conflict to fade considerably in Q2, as market participants' focus moves away from this conflict.

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

ICIS Naphtha outlook

European naphtha supplies may become limited due to the conflict in Ukraine. Russia supplies Europe with almost 50% of its naphtha imports, so if sanctions are implemented on Russian naphtha exports or Russia chooses to reduce supply to Europe, this could cause a spike in prices. With ARA naphtha inventories already near multiyear lows, this could severely impact the NWE naphtha spread. The NWE propane:naphtha ratio has fallen further in recent weeks, with propane prices now over 15% lower than naphtha. Some naphtha crackers in Asia have already switched to LPG after a long period of almost solely naphtha feed. However, the invasion of Ukraine has led to an LPG price spike as Russia has banned exports of LPG to Ukraine. With the conflict expected to be long and protracted, this could lead to a sustained elevated LPG price, and could lead to naphtha once again being a preferable petrochemical feedstock in the near term.

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

ICIS Butadiene Outlook

Surging oil costs will increase annual inflation further in the US, threatening economic growth and consumer confidence. The US butadiene (BD) market is likely to be characterised by tightness of supply and relatively good demand in the next couple of months. With several US sites expected to undergo planned maintenance during Q2, import volumes from Europe and Asia might increase. However, deep-sea sources might struggle with their production because of feedstock costs.

The invasion of Ukraine by Russia and resulting economic sanctions are fuelling concerns over the European business outlook. The butadiene (BD) supply chain could be disrupted by ongoing heightened energy costs and further limits on new vehicle production. Several global automotive manufacturers have stopped sales in Russia, while others have closed plants due to a lack of components from Ukraine. Karpatneftkhim's mixed-feed cracker at Kalush, Ukraine, was shut down because of the imposition of martial law by the national government. With production estimated between 55,000 tonnes/year and 65,000 tonnes/year, its crude C4 was typically sold in the European market. Germany and/or the Czech Republic were likely the main destinations.

Asian butadiene (BD) output is expected to decrease over the coming weeks. For Q1 2022, ICIS estimates a production drop of nearly 20,000 tonnes/month. With soaring crude oil and naphtha prices in response to the Russia-Ukraine war, producers are managing losses by increasingly cracking higher proportions of lighter feedstocks and/or reducing operating rates. This move will lead to decreased BD production. Nevertheless, the arbitrage window between the US and Asia should remain open and widen in Q2 2022, hitting an average differential of more than \$400/tonne.

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

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