



## Polybutadiene Rubber (Asia-Pacific)

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

### OVERVIEW

- China buoyant on [domestic gains](#)
- But discussions rangebound elsewhere in Asia
- Buying tempo [weighed down](#) by upstream losses

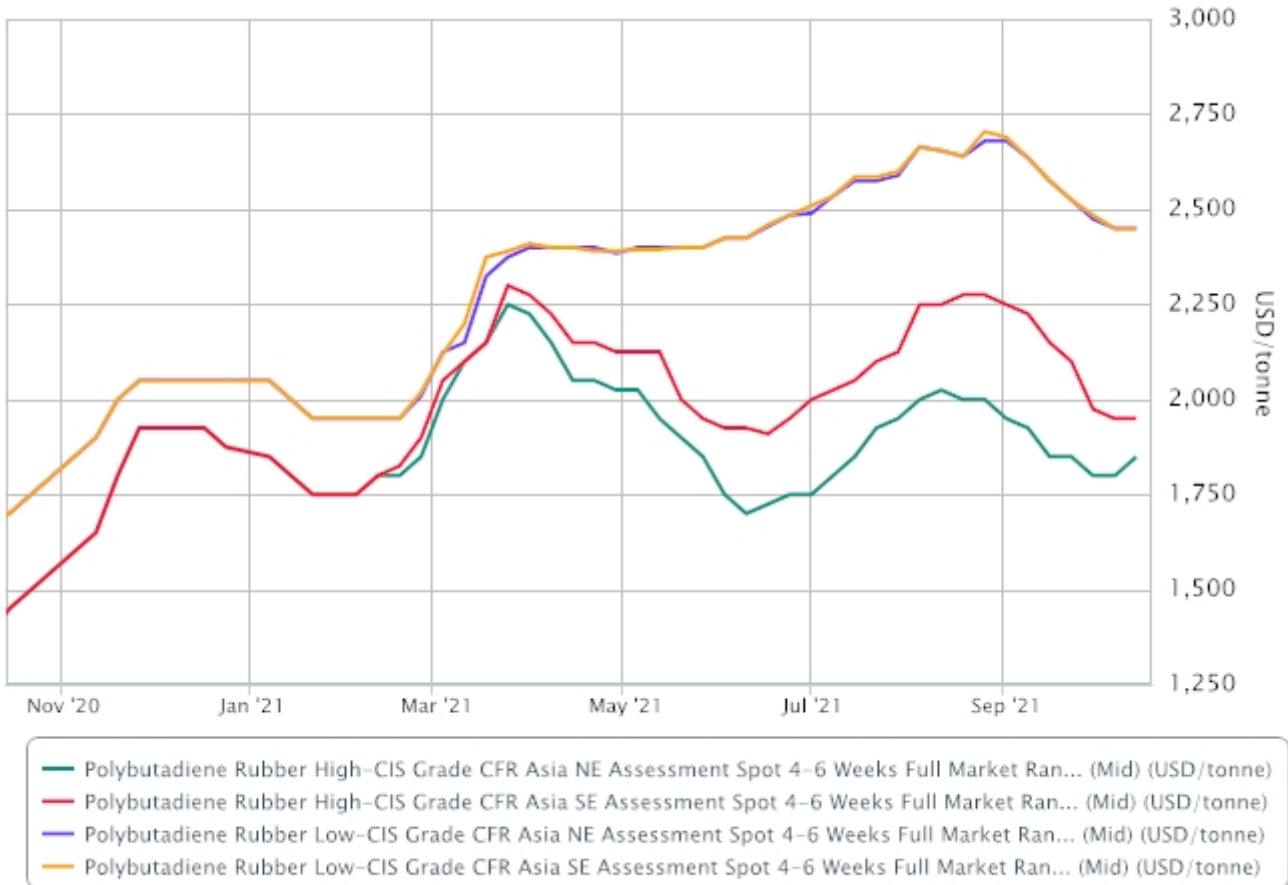
Asia's spot discussions for polybutadiene rubber (PBR) were mostly rangebound, except in China where domestic gains boosted buying indications for US dollar denominated imports of high-cis materials.

In China, domestic prices rose, supported by tightening prompt supplies after many local plants cut back on operations to meet stringent energy consumption caps, stemming from its recent [dual-control](#) policy.

The buoyant domestic pricing conditions also bolstered discussions on US dollar denominated imports into China, although substantive transactions were limited by shipping and logistical constraints.

Elsewhere in Asia, buy-sell pricing indications were rangebound, but demand sentiment was deemed slightly more upbeat compared to prior weeks, as factories in regional outlets like Vietnam and Malaysia were heard gradually ramping up operations, alongside easing coronavirus-related restrictions.

But buyers in wider Asia remained cautious and hesitated from rushing into fresh bookings, in expectation that offers may soften if the upstream butadiene (BD) market [loses](#) even more ground in coming weeks.



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## OUTLOOK

- Regional supply will be squeezed by heavy wave of [turnarounds](#)
- Supply in China may tighten too with dual-control policy impact
- Demand may pick up in southeast Asia with more COVID-19 controls lifted

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	2400.00-2500.00	n/c	2550.00-2600.00	108.86-113.40
<b>CFR Asia SE</b>	USD/tonne	n/c	2400.00-2500.00	n/c	2550.00-2600.00	108.86-113.40
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+100	1800.00-1900.00	n/c	1750.00-1950.00	81.65-86.18
<b>CFR Asia SE</b>	USD/tonne	n/c	1900.00-2000.00	n/c	2100.00-2200.00	86.18-90.72

### Northeast Asia

**High-cis**

CFR northeast Asian assessments for high-cis materials narrowed, with the low-end lifted alongside firmer buying indications heard.

Domestic China prices for high-cis materials spiked as output was squeezed amid falling plant operating rates.

Price (CNY/tonne)	14 October	30 September
E China Ex-Warehouse	15,000-15,200	13,500,13,700

**Low-cis**

CFR northeast Asian assessments were rolled over, on rangebound indications heard.

Substantive discussions were limited, due to general tightness in spot availabilities.

**Southeast Asia****High-cis**

CFR southeast Asian assessments for high-cis materials were kept unchanged, tracking rangebound discussions.

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

Oct (1-14) 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021
171.39	163.23	172.67	164.32	164.51	169.09	164.72	175.25

**Low-cis**

CFR southeast Asian assessments were rolled over in a thinly discussed week.

**India**

In India, some Asia-origin high-cis materials were heard sold in the \$2,050-2,100/tonne CFR Indian range.

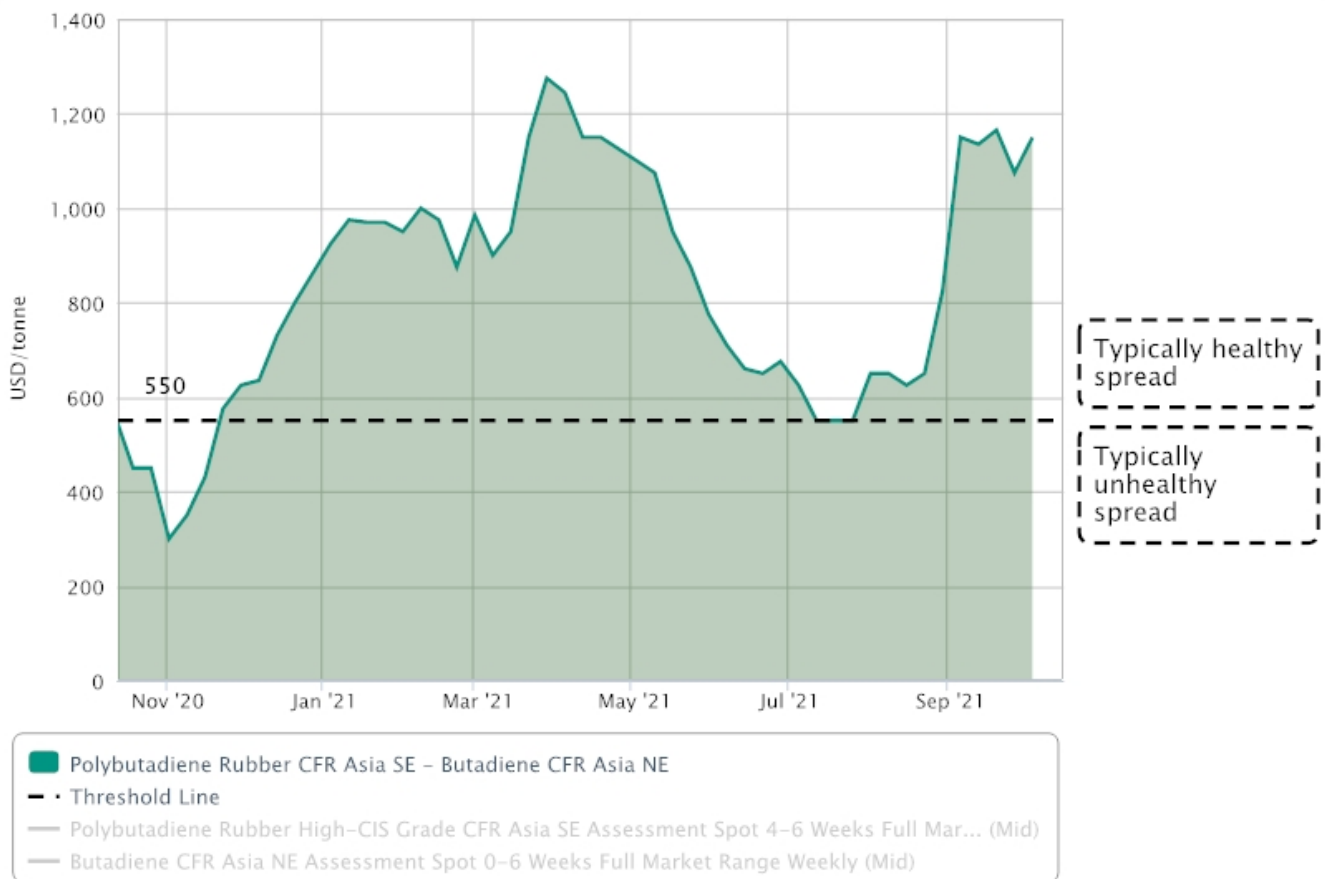
But most buyers kept buying indications unchanged at below \$2,000/tonne CFR India, citing availability of more competitively-priced deep-sea origin cargoes.

**UPSTREAM**

Asian butadiene (BD) prices extended losses, as supplies continued to outstrip demand.

The chart below shows the spread between BD and PBR.

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



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## PRODUCTION

In China, average operating rates for PBR fell to 74% for the week ended 8 October, marginally lower than the 75% rate seen in the week prior, market sources said.

But moving forward, operating rates for China's PBR plants may dip if the country continues to press on with its [dual control policy](#) aimed at protecting the environment through energy consumption caps.

Elsewhere in Asia, PBR supplies are also expected to tighten on ongoing [turnarounds](#) in South Korea.

## ANALYTICS

### ICIS Ethylene Outlook

US ethylene production is estimated to increase in Q4 in line with the commissioning of new monomer supply along the Gulf Coast. Bayport Polymers should see commercial production from its new 1m tonne/year cracker imminently, and the Gulf Coast Growth Venture project (GCGV) is scheduled to begin operations from its 1.8m tonne/year cracker around the beginning of 2022. ICIS forecasts a declining market over the next few months. Expectations of lower derivative demand will add downward pressure on ethylene prices.

With Europe's largest basic chemicals capacity, Germany deploys an annual ethylene capacity of almost 5.7m tonnes. Ethylene in Germany is estimated to achieve record output of between 5.2m and 5.3m tonnes in 2021, production not seen for several years. Looking at 2022, OMV's ethylene capacity at its Burghausen refinery in Germany is scheduled to be enlarged. The cracker will be expanded and modernised in Q3 during a planned refinery maintenance. The company's strategy is to strengthen its presence in the petrochemical market on the prospect of growing demand.

Growing ethane exports have been observed since the start-up of the new Orbit ethane terminal at Nederland, Texas, in late Q4 2020. China, which will be one of the main destinations, is expected to import over 1m tonnes throughout 2021. According to ICIS analysts, total ethane feedstock used for crackers in China is estimated to rise to 1.7m-1.8m tonnes as three new ethane-based steam crackers began commercial production, two of which are getting feedstock from their own oil and gas fields. A third US origin ethane-fed cracker, which is scheduled to come on stream in 2022, will take total Chinese ethane consumption to 3.5m-3.7m tonnes.

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### **ICIS Propylene Outlook**

Based on ICIS forecasts, Q4 2021 should see some lengthening of US propylene supply and demand. High propylene prices may temper domestic demand as a number of derivative margins remain slim, coupled with the fact that seasonal demand is typically lower in Q4. Longer term, however, the US market is expected to remain fairly tight, as standalone derivative units continue to come on stream in 2022 and 2023.

Germany is the major propylene producer in Europe, with a total capacity of about 4.5m tonnes/year. This is 23% of total regional available capacity. This year's strong derivative demand, combined with good steam cracking margins, prompted German operators to increase their plant operating rates. In 2021, German propylene production is projected to total 3.6-3.7m tonnes, exceeding pre-pandemic levels. Next year, OMV plans to expand and modernise its German cracker at the Burghausen refinery. The works are scheduled to be completed in Q3 during a planned refinery maintenance.

Upward pressure on liquefied petroleum gas (LPG) prices is likely to persist into Q4 2021 and 2022, mainly mirroring strong demand and supply woes. Asia is, and will be, the main reason for growing LPG appetite. China, which imported about 16.4m tonnes in the first eight months of 2021, outpaced imports for the whole of 2019, primarily because new propane dehydrogenation (PDH) units and LPG-fed crackers started up. Next year, the number of LPG cargoes towards China will continue to rise, given that five new PDH plants are scheduled to be commissioned. In addition, India, Asia's second largest net importer after China, is set to increase its needs in 2022 following the government's February decision to extend the subsidy scheme. The intent is to connect 10m new rural households with LPG. The Middle East, the lead supplier for India, should be the main candidate to match incremental demand.

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### **ICIS Butadiene Outlook**

US BD capacity is forecast to be fully restored sometime in the coming weeks, with Shell and ExxonMobil sites in Louisiana and TPC's plant in Houston returning on stream once their maintenances are complete. There are concerns over possible demand weakness. One firm recently decided to increase prices to end users, and others may follow, thus pulling back tyre requests to some extent in Q4 2021. Indeed, the unprecedented spikes in freight rates, shipping container charges, as well as raw material costs might induce a rise in replacement and original equipment (OE) tyre prices. Entering 2022, with US production expected to recover, the market should return to more balanced conditions, although some sensitivity factors might persist.

As 35% of total Europe BD capacity is covered by Germany, not surprisingly the country is the major regional producer. This year, German BD production might hit between 800,000 and 850,000 tonnes. Next year, the German BD supply chain might be affected by some disruption. Indeed, during Q3 2022, OMV will increase

ethylene and propylene capacity at its Burghausen refinery in Germany, and at that time, the whole refinery will be off line along with the 70,000 tonne/year butadiene unit.

According to the ICIS Supply and Demand Database, Asian BD capacity will increase by about 1.2m tonnes/year in 2022 compared with 2021, concentrated in China and South Korea, the top two BD importers in the pre-pandemic world. For 2022, Asian investment in BD derivatives is forecast to accelerate, including for synthetic rubber, ABS, adiponitrile and NB latex. Chinese producers are seeking to extend the value chain to more effectively manage supply-chain risks.

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