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Independent Commodity Intelligence Services

Styrene Butadiene 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

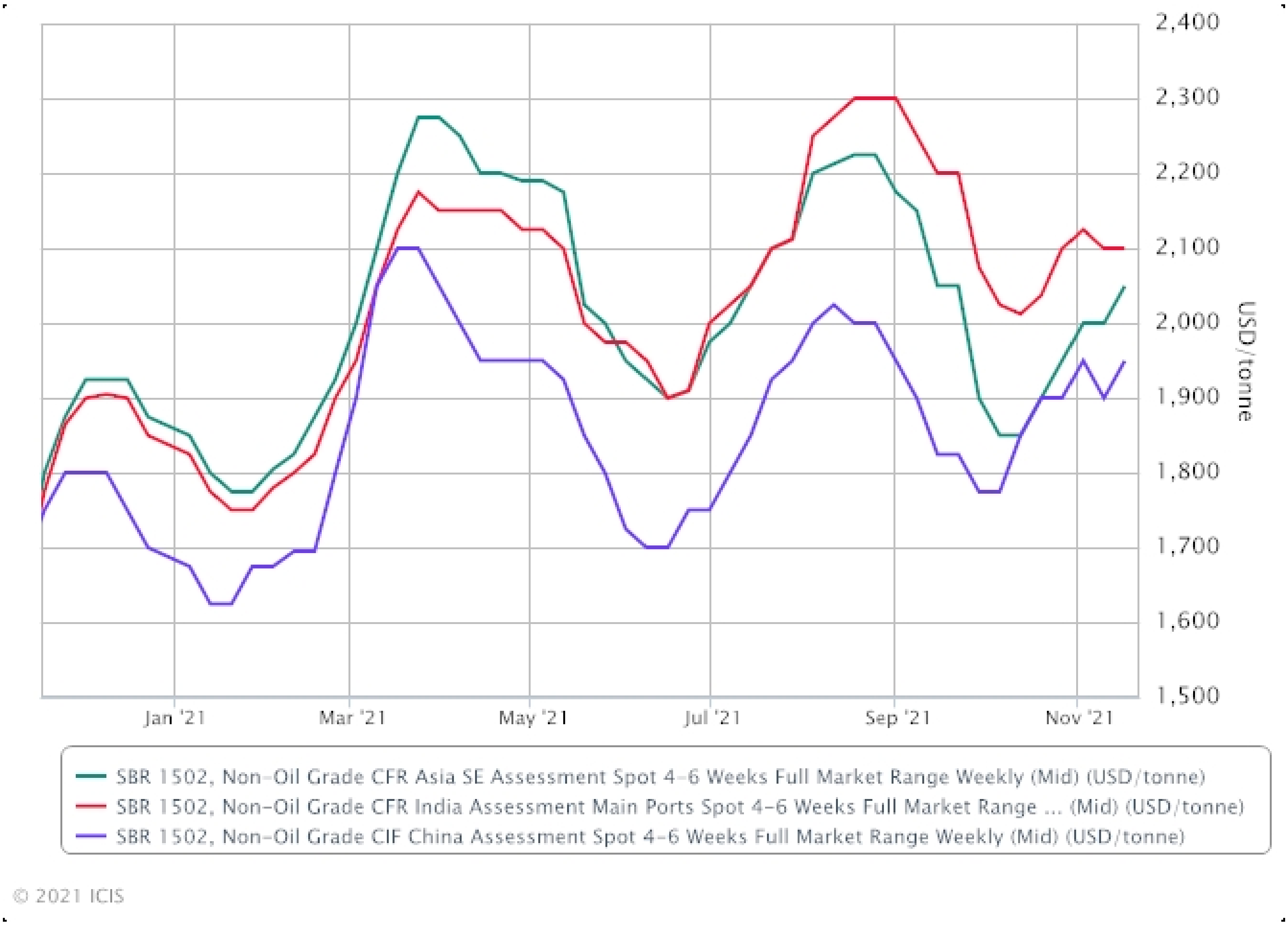
- **China up with domestic gains**
- **Offers supported on supply constraints**
- **Demand generally healthy**

Asia's spot discussions for styrene butadiene rubber (SBR) were stable-to-firm, as supplies tightened across the region.

In China, prompt supplies in the domestic market dipped, after the local distribution network was disrupted by snow in the north of the country. SBR deliveries from production units in northern China could not be delivered in time to end-users in other China provinces, prompting the latter to procure more actively from the US dollar-denominated import pool for replacement supplies.

In wider Asia, spot availability was also limited, with many regional SBR makers careful not to over stretch their low inventories with excessive spot sales. Inventories were heard still generally below healthy levels, with some regional plants just freshly back from maintenance this week.

Import offers in import reliant outlets like SE Asia and India are well supported as such. While end-users with concrete and pressing requirements did step up to purchase some volumes, market players said that some buyers remained cautious and wanted to pace their spot procurement more.



OUTLOOK

- **Regional inventories may stabilise closer to the end of the year**
- **Demand in wider Asia likely to grow with economic growth**
- **But supply chain disruptions may curtail spot trade liquidity**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1900-2000	+50	1850-1950	86.18-90.72
CFR Asia SE	USD/tonne	+50	2000.00-2100.00	+50	1850.00-1950.00	90.72-95.25
CFR India Main Ports	USD/tonne	n/c	2050.00-2150.00	n/c	2000.00-2075.00	92.99-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1800-1900	+50	1750-1850	81.65-86.18
CFR Asia SE	USD/tonne	+50	1900.00-2000.00	+50	1750.00-1850.00	86.18-90.72
CFR India Main Ports	USD/tonne	n/c	1950.00-2050.00	n/c	1900.00-1975.00	88.45-92.99

China

CIF China assessments for the non-oil 1502 grade rose with higher buy-sell indications heard.

CIF China assessments for the oil-extended 1712 grade were also adjusted up, alongside changes for the 1502 grade. Some northeast Asia-origin cargoes were heard indicated at the higher end of the published range too, market sources said.

Domestic China prices for the 1502 grade also trended up on active trades in a tightly-supplied market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	17 November	10 November
E China Ex-Warehouse	13,400-13,600	12,900-13,000

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade rose on firmer offers and bids heard.

Deals were also heard concluded within the published range.

CFR SE Asian prices for the oil-extended 1712 grade are also raised in tandem with changes in the 1502 grade assessments, in the absences of concrete 1712 grade business.

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

Nov (1-17) 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021
172.51	174.39	163.23	172.67	164.32	164.51	169.09	164.72

India

CFR Indian prices for the non-oil 1502 grade are kept unchanged on rangebound pricing indications heard.

Transactions were heard within the range too, and demand outlook is deemed rosy on the country's [strong export growth] in October.

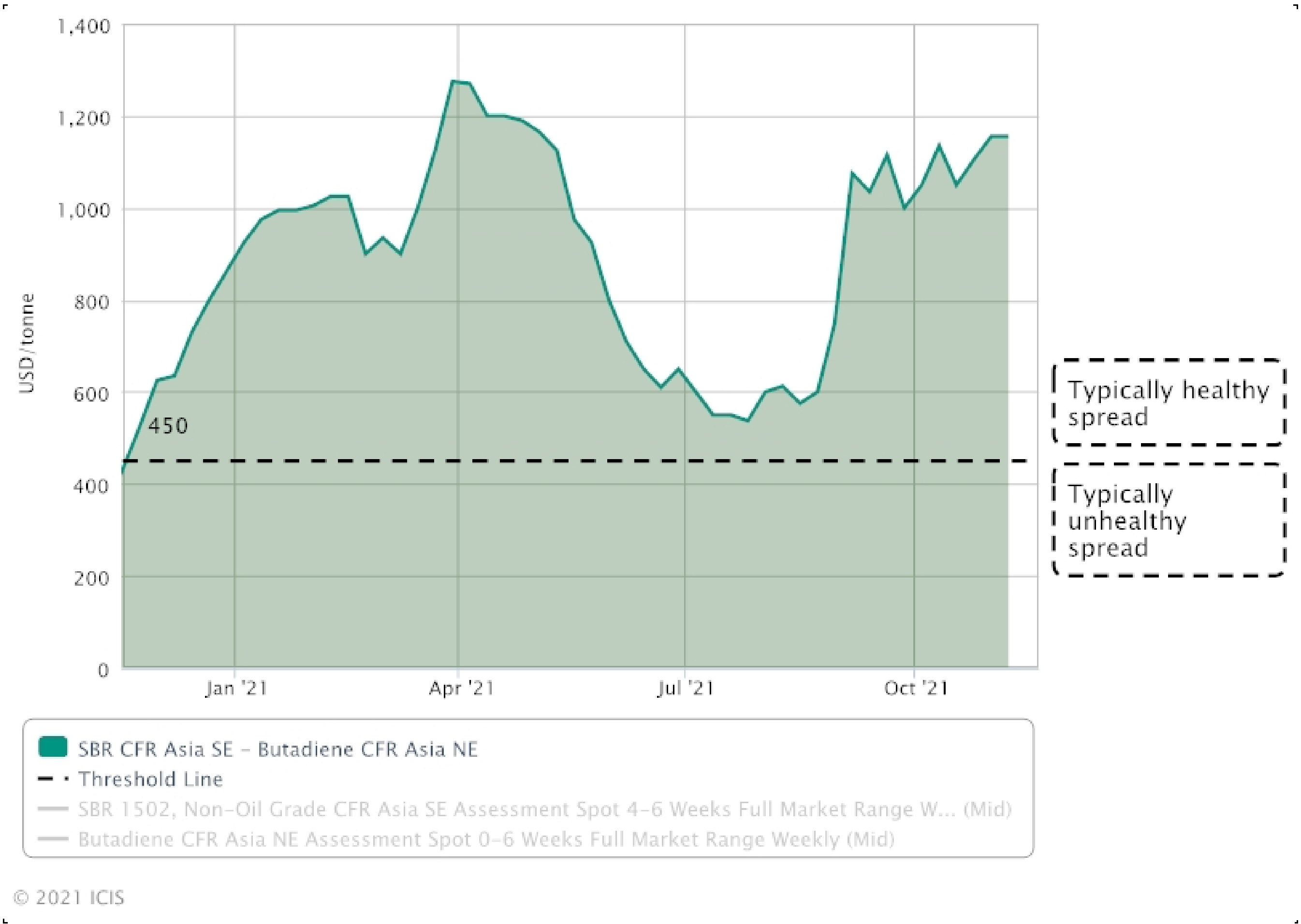
CFR Indian prices for the oil-extended 1712 grade are also rolled over with stable 1502 grade assessments.

UPSTREAM

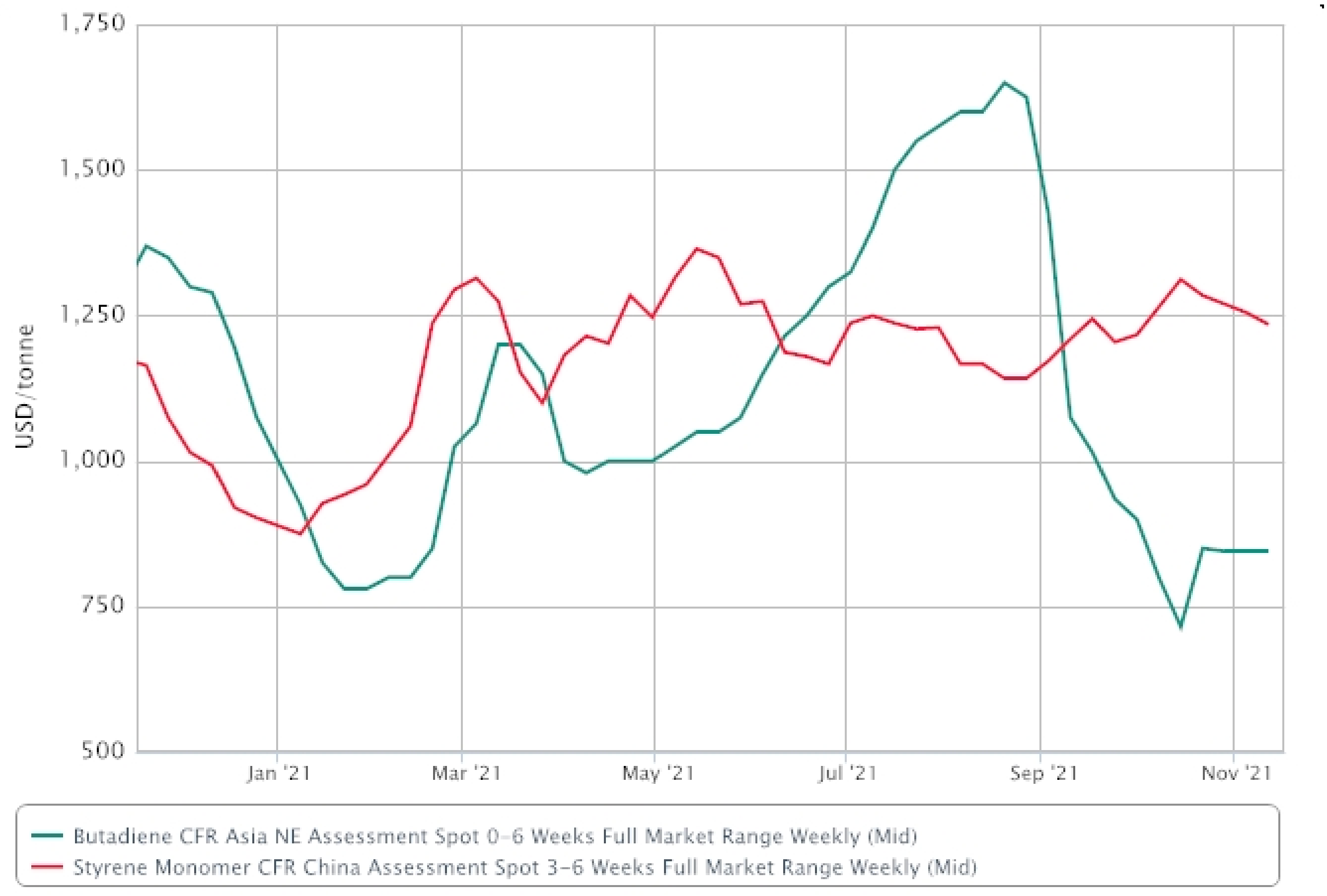
Asian butadiene (BD) market discussions stalled as a [buy-sell gap] remains, with buyers persistently resistant to higher offers. But sellers were adament not to price down further, so as to rescue suppressed cracker margins.

The chart below shows the spread between butadiene and SBR.

[Downstream spread – butadiene NE Asia and SBR SE Asia]



Asian styrene prices were were volatile and assessed in a wide range, with fundamentals mostly unchanged in China and other Asia regions despite a large midweek sell-off in the yuan-denominated futures market.



PRODUCTION

In China, average operating rates of local SBR plants rose to 83% in the week ended 12 November, up from 77% in the week prior, market sources said.

This increase came as the limitations stemming from the government's dual control policy have eased some what in recent weeks, giving room for downstream factories to ramp up operations more, market sources added.

Outside of China, SBR spot availability is poised to grow and stabilise with the completion of more regional plant turnarounds.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In the US, November SBR contracts fell, tracking a decline in feedstock butadiene (BD).

Separately, US rubber manufacturer Lion Elastomers filed an anti-dumping duty petition against emulsion SBR imports from Czech Republic, Italy and Russia.

In Europe, November SBR contract talks are ongoing amid steady spot prices. But discussions are mired by confusion stemming from recent energy surcharge announcements.

ANALYTICS

ICIS Ethylene Outlook

Shell's 1.5m tonne/year cracker start up at Potter Township, Pennsylvania, sometime in 2022, will be a game changer for the US ethylene industry. The new ethane-based cracker, which is designed to be integrated with three polyethylene (PE) units, will be the first ethylene producing plant on the East Coast. The project will have a revolutionary impact on the domestic polymer market as Shell returns to the plastics business. Given an advantageous geographical position compared with crackers in Texas and Louisiana, most of the polymer it produces is likely to be sold in the northeast US market. This suggests that current suppliers will probably have to find alternative outlets. In 2022, total net exports of US PE are estimated to grow to about 7.6m tonnes, increasing by almost 15% and 5.5% on 2021 and 2020, respectively.

European ethylene supply might see disruptions through 2022 given scaled-down capacity availability. Sabic's cracker at Wilton, UK, might resume commercial production by the end of 2022 following a long shutdown. Versalis is expected to close its cracker at Porto Marghera, Italy, probably in H2 2022. Despite the planned expansion of crackers in the Czech Republic, Germany and Slovakia, total capacity in Europe is expected to fall to around 24.8m tonnes/year next year, down from 25.7m tonnes/year in 2019. That said, Europe is expected to switch from being a net exporter to being a net importer in 2022, although it is already seeing some of this shift because of strong demand and reduced capacity. According to preliminary data, in the first eight months of 2021, imports of ethylene were around 230,000 tonnes and exports about 160,000 tonnes.

Next year, ethylene derivative capacity in China will increase more than ethylene capacity. According to the ICIS Supply and Demand Database, monomer demand from the PE industry is forecast to hit about 22.1m tonnes in 2022, up from 21m tonnes in 2021. As demand will outstrip production, China will remain a net importer of PE, with the Middle East its main source. Given the imminent restart of PRefChem's petrochemical complex in Pengerang, Malaysia, Chinese imports of Malaysian PE will rise again through 2022. However, outside factors – such as China's dual control policy – will continue to affect Chinese PE production in the short term.

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

ICIS Propylene Outlook

US propylene market tightness may persist into 2022 and elevated natural gas costs will not help ease pressure on the monomer in the short term. The three propane dehydrogenation (PDH) units in the US are suffering from substantial propane costs. Shrinking PDH margins may continue in the weeks ahead due to rising propane demand driven by the winter heating season and constrained domestic production. The National Oceanic and Atmospheric Administration's Climate Prediction Center, a US federal agency, confirmed that the La Nina cycle will be active from December to February, causing below-normal temperatures in the northern US area.

European propylene production is likely to be buoyed by firmer naphtha usage in the coming weeks. The price differential between propane and naphtha is likely to remain in positive territory until March, making naphtha the preferred feedstock for cracking operations. Heading into 2022, total European propylene capacity should increase slightly. Despite the scheduled closure of Porto Marghera's cracker in Italy, there are cracking capacity expansions in the Czech Republic, Germany and Slovakia, the restart of TotalEnergies' Donges refinery in France and Sabic's cracker in Wilton, UK. The start-up of a new PDH facility in Belgium is also expected to relieve pressure in the domestic market.

Liquefied petroleum gas (LPG) consumption in China is increasing in the approach to winter, the return of some PDH facilities from maintenances, new PDH units and LPG-fed steam crackers. The Winter Olympics, which take place in February, is also expected to boost Chinese LPG demand. PDH economics are expected to remain unfavourable in the coming weeks amid propylene weakness and rising propane costs. As a result, several Chinese operators may curb PDH operating rates and others will have to run plants at relatively good rates to ensure cash flow needs. Overall, 23 PDH plants, with a combined propylene capacity of about 10.7m tonnes/year, will be in operation in China by the end of 2021. They will require up to 12.8m tonnes of propane when running at full nameplate capacity.

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ICIS Butadiene Outlook

US BD consumption is estimated to hit about 1.7m tonnes in 2022, which is below pre-pandemic levels. The automotive production crunch may last into H1 2022 at the earliest and contribute to weaker BD derivative demand. Apart from the chip shortage, a shortage of magnesium in China poses another threat to the global car industry. Magnesium is used in the production of aluminium alloys, which have a number of applications in vehicle manufacture.

There is uncertainty surrounding the BD outlook for Europe in 2022. With activity at the cracker in Porto Marghera, Italy, brought to a halt, crude C4 cargoes will no longer be shipped to Ravenna to feed Versalis' BD extraction unit which has a capacity of 140,000 tonnes/year. Although Sabic's cracker in Wilton, UK, will see commercial production restored by the end of 2022, its BD unit may remain permanently closed. Supply chain disruptions may materialise as a result. BD demand is forecast to grow at a slower rate next year, by about 6% on 2021, but consumption this year is expected to increase by almost 11% on 2020.

ICIS analysts estimate relatively sizeable growth in BD demand in 2022, up by 12% on 2021, at around 4.3m tonnes. Next year, BD derivative capacity additions will amount to about 895,000 tonnes/year, and new BD capacity will hit about 320,000 tonnes/year. With demand outpacing production, China will remain a net BD importer. A new 70,000 tonne/year standalone BD unit in Batangas in the Philippines and owned by JG Summit may help to cover some of China's BD shortfall in 2022.

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