

Between geopolitical tension and economic slowdown: impact on the petrochemicals market

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S&P Global
Platts

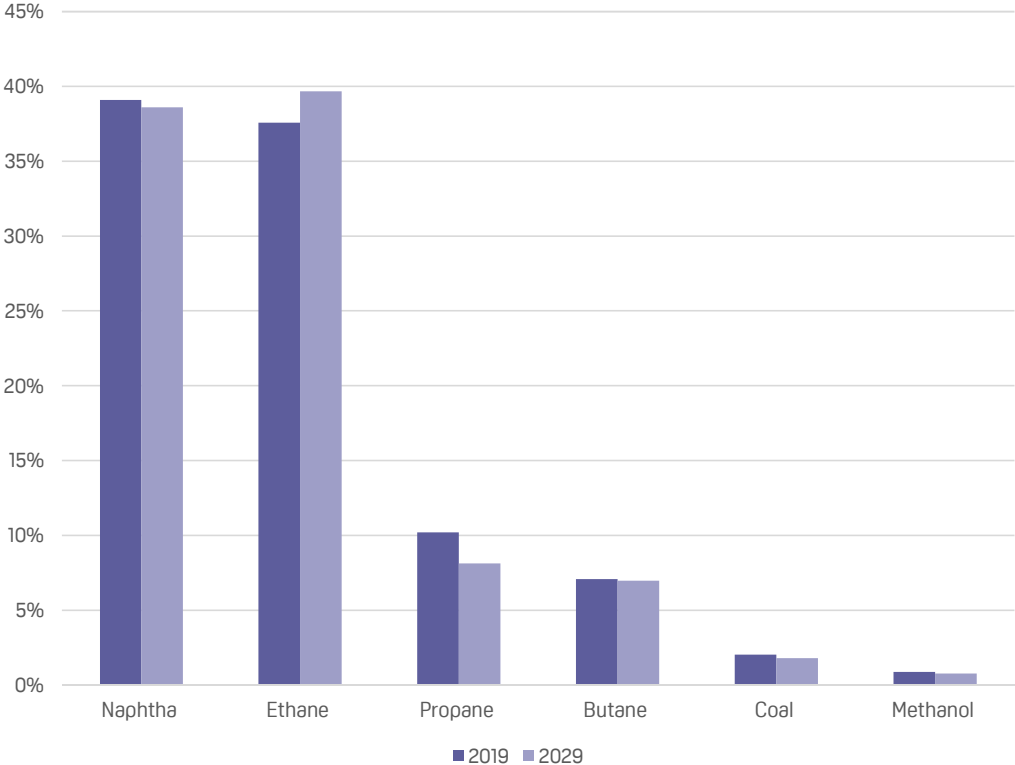


Agenda

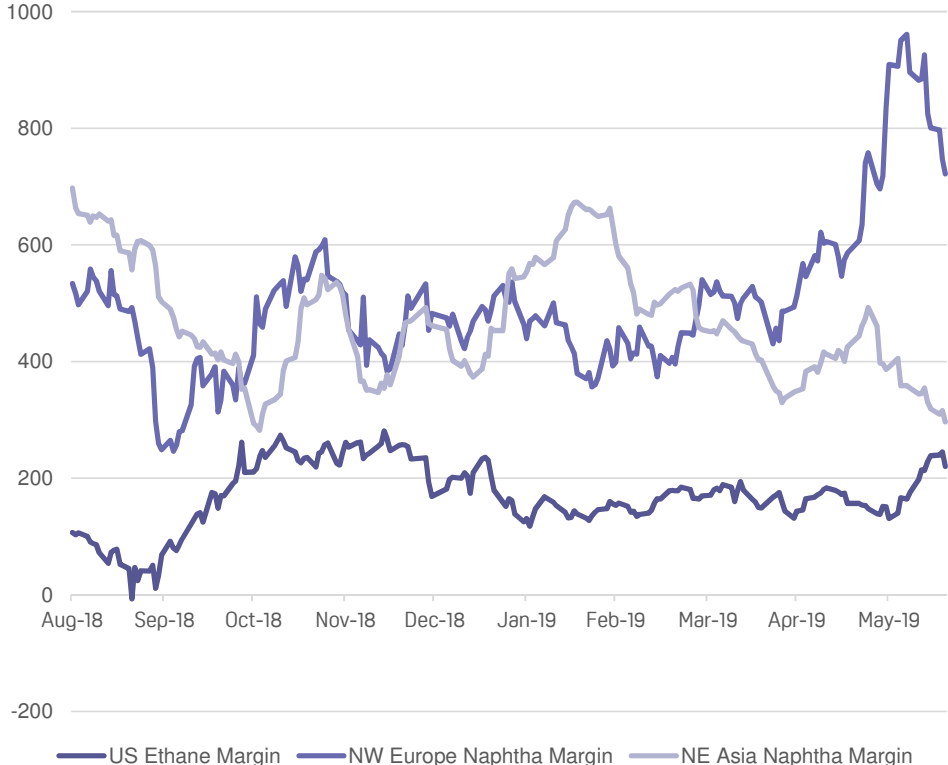
- Global expansions: from upstream to downstream
- Trade war affecting inter-regional flows
- Impact on Europe
- Weak conditions for global petrochemicals markets

Global ethylene feedstock landscape: naphtha continues to dominate internationally while ethane use steadily increases

Global Ethylene Feedstock Use



Regional Primary Feedstock Cracker Margins



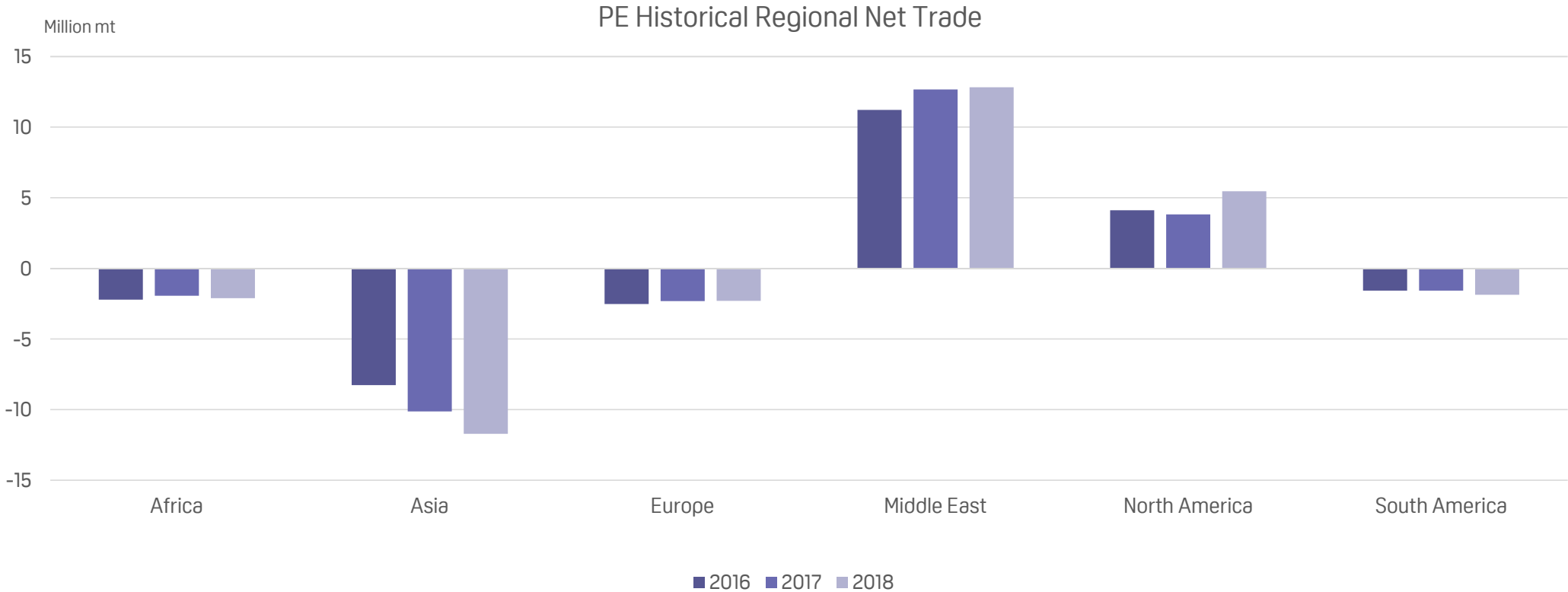
Source: S&P Global Platts, S&P Global Platts Analytics

New North American polyethylene capacity

COMPANY	LOCATION	CAPACITY (mt/year)	PRODUCT	STARTUP	STATUS
CONSTRUCTION					
Formosa Plastics	Point Comfort, Texas	400,000/400,000	LDPE/HDPE & LLDPE	2H 2019	Construction
Sasol	Lake Charles, Louisiana	420,000	LDPE	8/19/2019	Construction
LyondellBasell	La Porte, Texas	549,000	HDPE	Mid-2019	Construction
Exxon Mobil Chemical	Beaumont, Texas	650,000	LLDPE	Mid-2019	Construction
Nova Chemical	Sarnia, Ontario	450,000	LLDPE/HDPE	Late 2021	Construction
Shell Chemical	Monaca, Pennsylvania	550,000/550,000/500,000	HDPE/LLDPE/LLDPE	2021/2022	Construction
NOVA Chemical/Borealis	Bayport, Texas	625,000	HDPE	2021	Construction
PLANNING					
PTTGC/Daelim	Belmont County, Ohio	700,000/900,000	HDPE/HDPE/LLDPE	2021	Awaiting FID
Exxon Mobil/SABIC	Corpus Christi, Texas	650,000/600,000	LLDPE/LLDPE & HDPE	2020s	Awaiting FID
Dow Chemical	US Gulf Coast	600,000	TBD	2020s	Planning
Formosa Taiwan (FG LA)	St James Parish, Louisiana	400,000/400,000	HDPE/LLDPE	2022	Planning
Formosa Taiwan (FG LA)	St James Parish, Louisiana	400,000/400,000	HDPE/LLDPE	2027	Planning

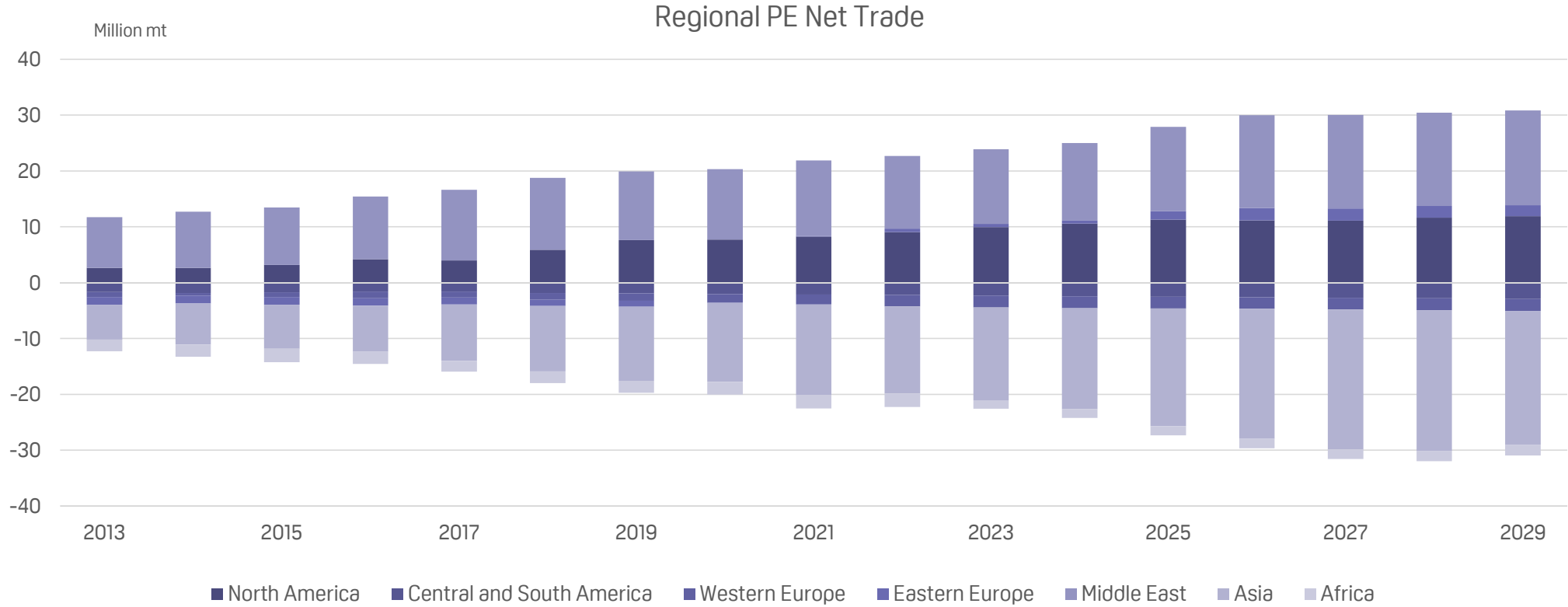
Source: S&P Global Platts, Companies

Recent PE trade shows the US increasing export volumes as capacity is brought on line and ramped up, joining the Middle East as a major global PE exporter



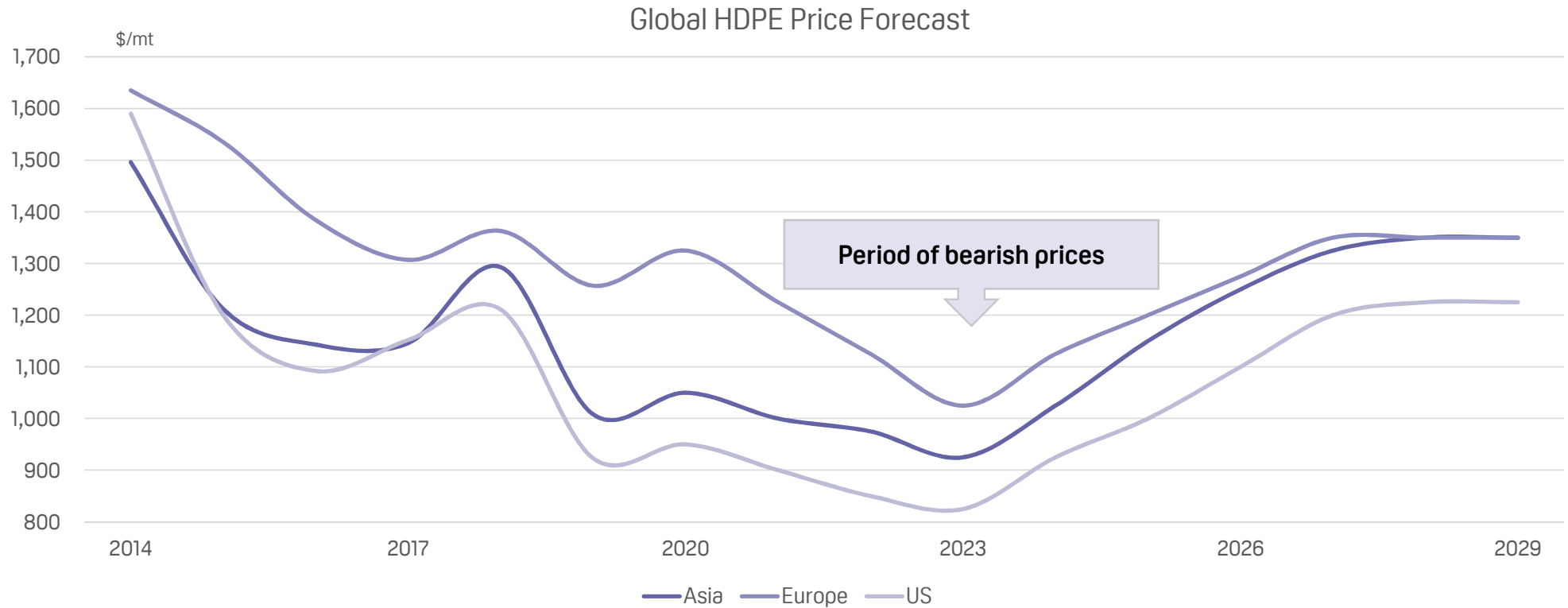
Source: S&P Global Platts Analytics

Overall, Middle East and the US will be key polyethylene exporters



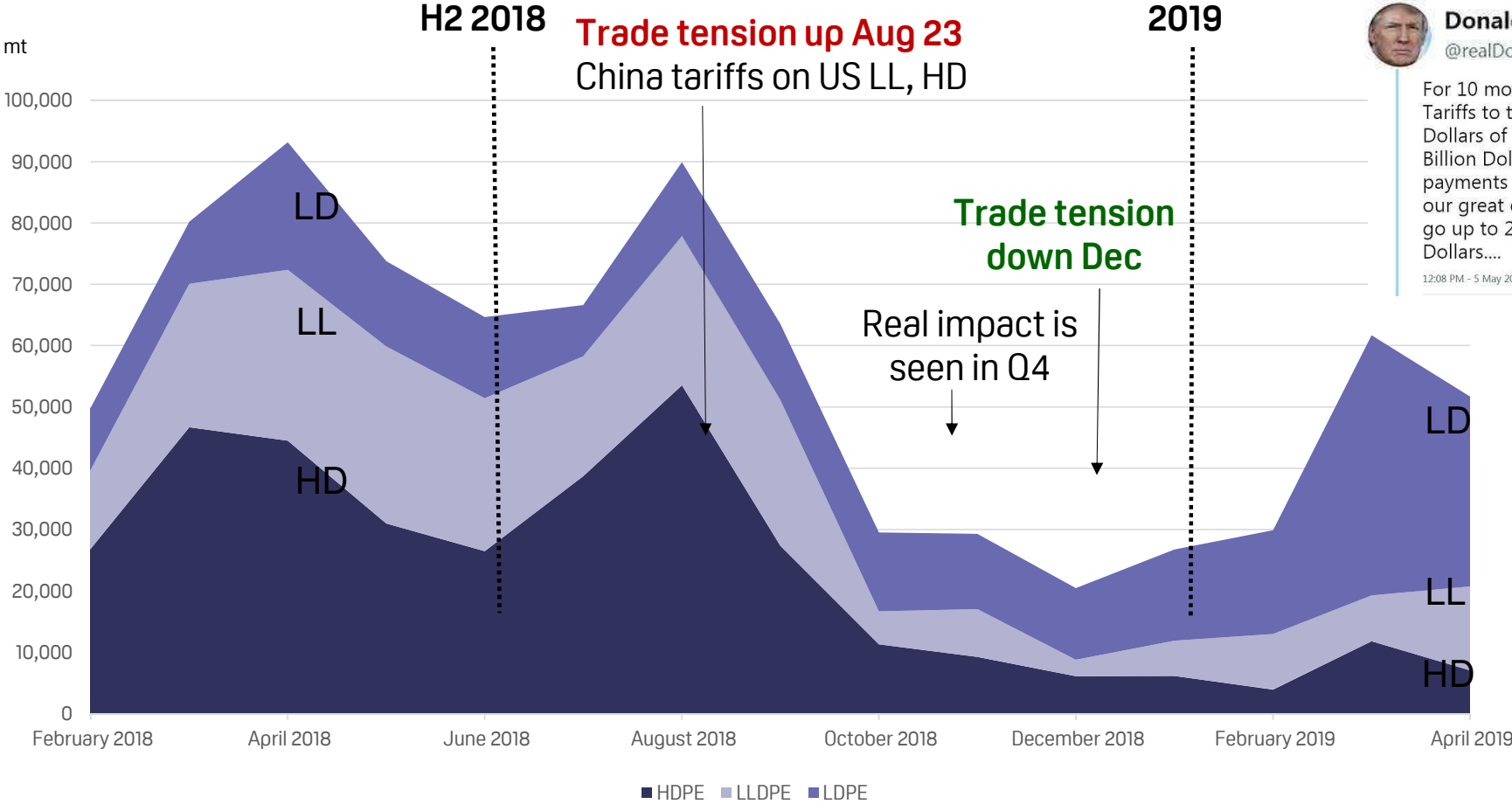
Source: S&P Global Platts, S&P Global Platts Analytics

With growing global capacities, Platts Analytics expects softer PE prices



Source: S&P Global Platts Analytics

China PE imports from US falls when trade tensions rise



Donald J. Trump
@realDonaldTrump

Following

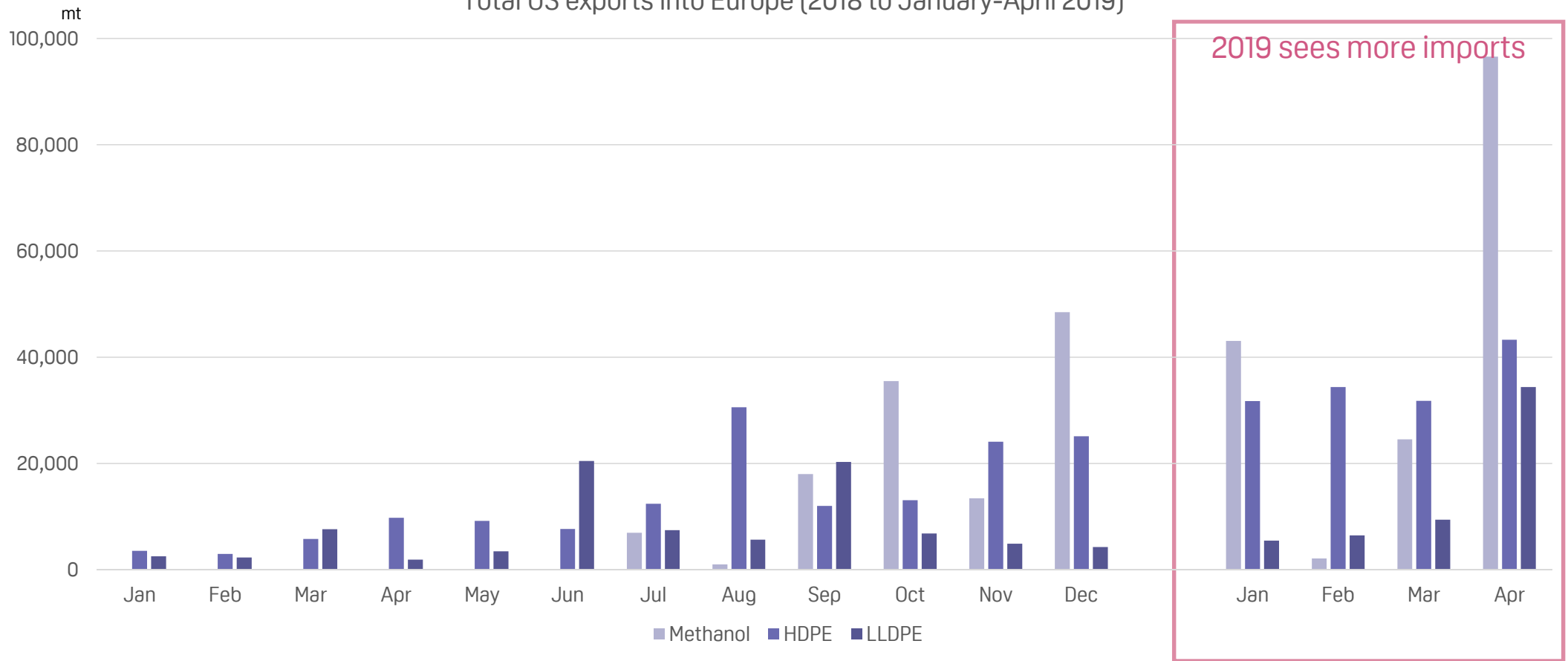
For 10 months, China has been paying Tariffs to the USA of 25% on 50 Billion Dollars of High Tech, and 10% on 200 Billion Dollars of other goods. These payments are partially responsible for our great economic results. The 10% will go up to 25% on Friday. 325 Billions Dollars....
12:08 PM - 5 May 2019

Trade tension up May 10
Will China LD imports from US fall?

Source: China Customs

What about Europe?

Total US exports into Europe (2018 to January-April 2019)



Source: Eurostat

Platts Global Petrochemical Prices show downward trend

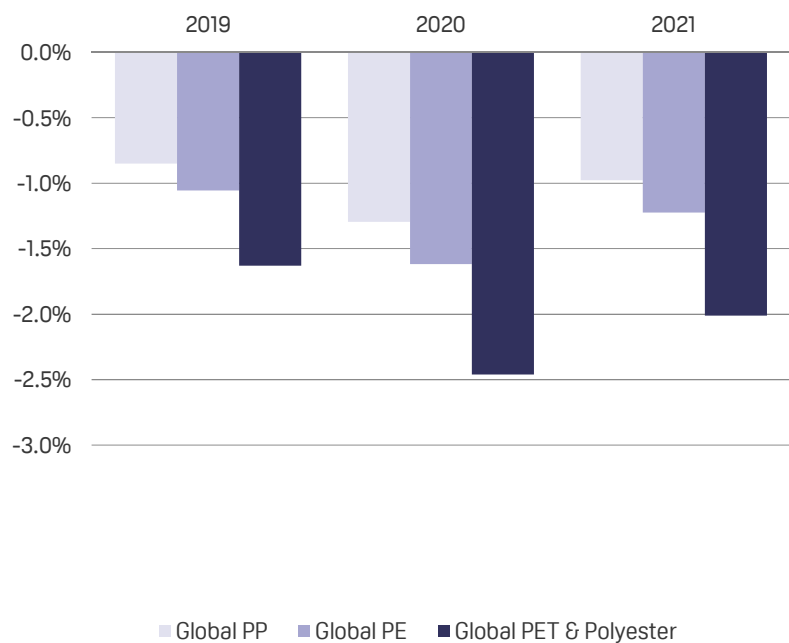


Source: S&P Global Platts

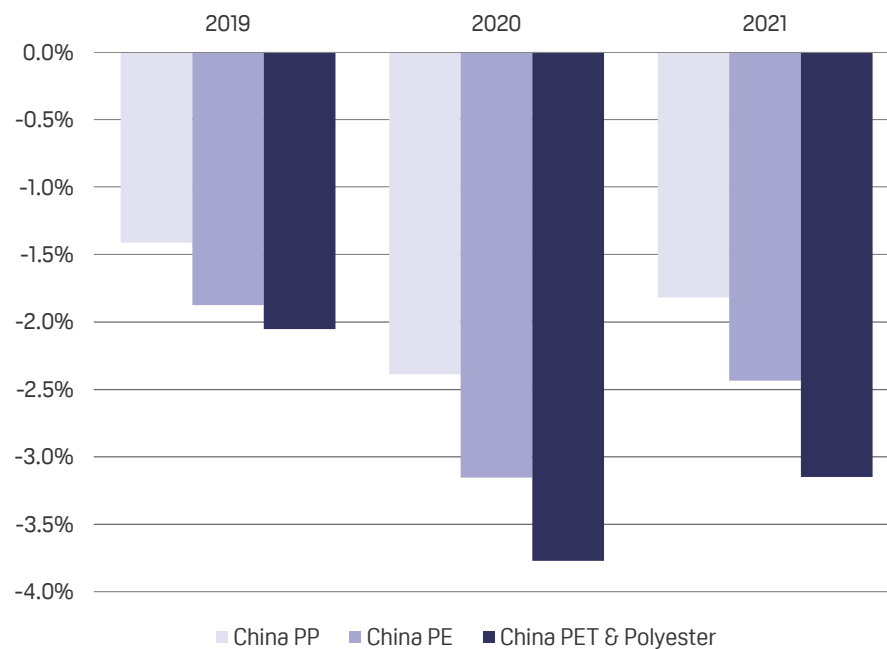


Global and China annual petrochemical cumulative demand change in Trade War scenario

Cumulative global petrochemical demand, Trade War scenario

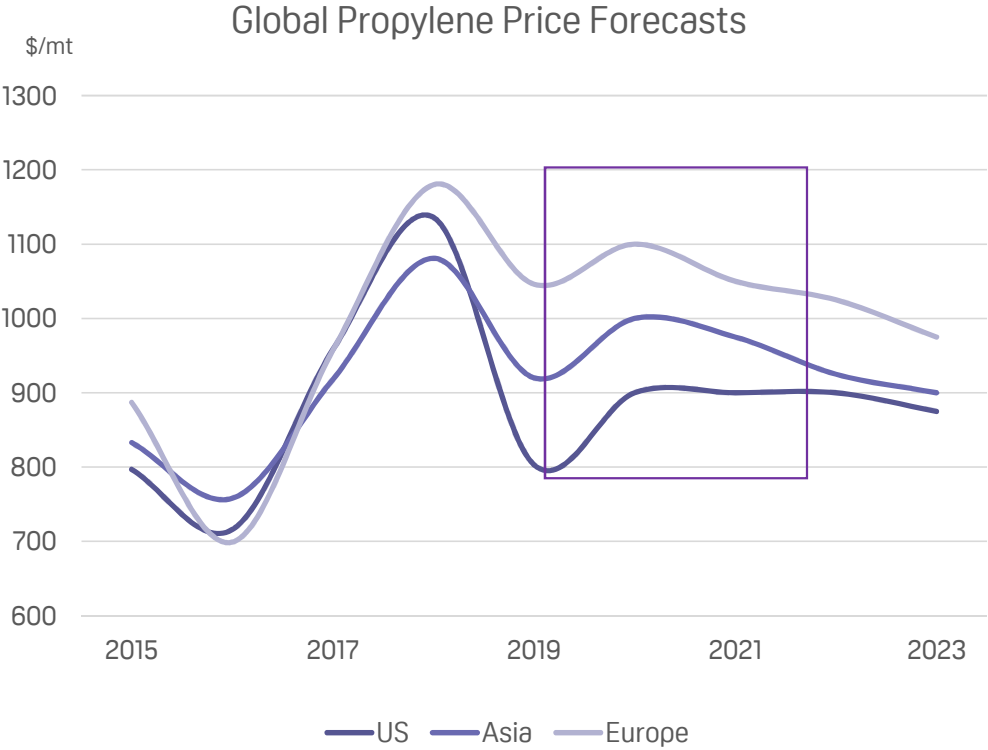
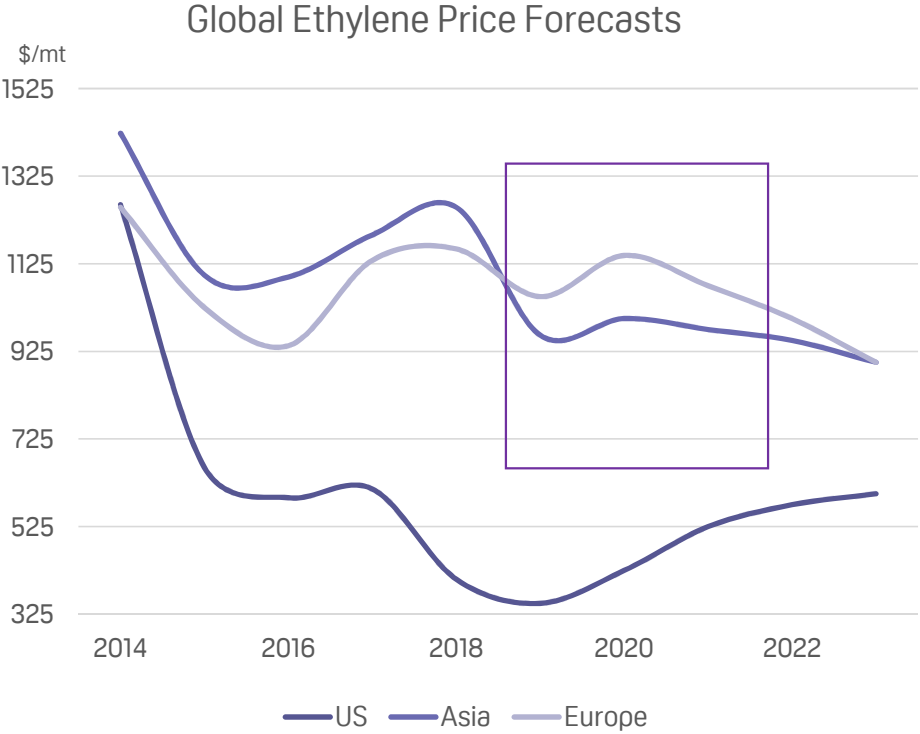


Cumulative China petrochemical demand, Trade War scenario



Source: S&P Global Platts Analytics

Platts Analytics estimates ethylene and propylene will see a “cost push” due to IMO 2020 related naphtha feedstock cost pressures



Source: S&P Global Platts Analytics



Download our report “A sea of challenges – The impact of IMO 2020 on petrochemicals”

www.spglobal.com/platts

A sea of challenges The impact of IMO 2020 on petrochemicals

Petrochemicals special report
May 2019



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 Petrochemicals

- Naphtha: Key petchem feedstock outlook hinges on balance between marine fuels and gasoline
- Olefins: Propylene production likely to be affected by IMO 2020
- Aromatics: Producers hope for wider product margins, but full impact remains hazy
- Shipping: Chemical tankers eyeing LSFO ahead of IMO 2020, fundamentals to improve
- Methanol: Market expects demand from shipping industry to grow after 2020

https://www.spglobal.com/platts/en/market-insights/special-reports/petrochemicals/imo-2020-impact-petrochemicals?utm_source=internal&utm_medium=email&utm_term=plattspetchems&utm_content=specialreport&utm_campaign=seaofchallenges

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Conclusions

- Trade tariffs enacted in 2018 had a measurable impact on petrochemical supply chains, mainly impacting the trade flow of US PE resins
- Forecasts show prolonged trade tensions will reduce global petrochemical demand
- Potential upward trend with stricter shipping regulations

Q&A

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