

Asia ethylene 2018 term offers start at \$80/mt premium, up \$30-\$35/mt on year

Platts.com, 20th Dec 2017

Asian ethylene suppliers are pegging their initial offers for 2018 term contract negotiations at a premium of \$80/mt based on CFR Northeast Asia-linked formula, market sources said Wednesday.

Market sources said that the buyers were surprised about the outcome as the offer level was around \$30-\$35/mt higher than a major settlement value of a premium of \$50-\$55/mt for 2017. No counter bids were heard so far.

Market sources said that the higher premium for 2018 is due to limited supply in the region, especially from Japan, resulting from heavy steam cracker maintenance scheduled for next year.

According to data compiled by S&P Global Platts, six out of 12 naphtha-fed stream crackers in Japan will undergo maintenance. Approximately 3.46 million mt/year of ethylene capacity will be idle during the turnaround season, which is around 53% of the country's total ethylene production capacity.

The spot supply from Southeast Asia is also expected to fall next year due to a start of a new ethylene derivatives plant. According to Platts report, Thailand's PTT is ramping up its commercial operations at its new 400,000 mt/year metallocene C6 linear low density polyethylene plant at Map Ta Phut.

Additionally, deepsea supplies from Saudi Arabia will also likely go down as a new ethylene downstream plant will start soon in the region. In 2017, Saudi Arabia's ethylene exports increased due to a delay in the start of a new local polyethylene plant.

According to the customs data, China's ethylene imports from Saudi Arabia stood at 95,602 mt for January-October, almost seven times up compared to 13,505 mt recorded a year earlier.

"Ethylene availabilities for 2018 would definitely be reduced compared to 2017. This is why suppliers are asking higher premium for 2018," a market source said.

Market sources expect the term negotiations to likely continue to early 2018.