

Chinese propane imports to rise in Q4 on startup of two PDH plants

Platts.com, 21st Sep 2016

Chinese propane imports are likely to climb faster in the fourth quarter, thanks to the expected startup of two new propane dehydrogenation plants, giving a much-needed boost to the recovering LPG market in Asia, sources said Wednesday.

China's Oriental Energy aims to start up its second PDH plant with a propylene capacity of 660,000 mt/year next month, when test runs at the Ningbo facility are completed, a source with knowledge of the matter said.

The startup date has been slightly pushed back from the original plan of third quarter due to the G20 summit in Hangzhou over September 4-5, when China ordered plants and factories in Shanghai, Jiangsu and Zhejiang provinces to stop production ahead of the summit in order to reduce pollution levels.

The new plant is expected to add 66,000 mt/month to Oriental's overall LPG requirements when run at full capacity. But in the initial phase of the startup, the company would likely import just one more cargo of 44,000 mt/month, the source said.

Oriental currently has LPG supply from existing US term contracts to feed the first 600,000 mt/year PDH plant at Zhangjiagang, eastern Jiangsu province, which was started up in May last year. The company also imports from Iran.

To meet propane requirements for its second plant, Oriental is understood to be talking to Middle Eastern producers such as Saudi Aramco and Qatar's Tasweeq.

Separately, Hebei Haiwei is still doing test runs at the first phase of its PDH plant with a propylene production capacity of 500,000 mt/year.

Test-runs began in July, but glitches during the test phase delayed the plant's startup. One source expects the facility to start up towards the end of the year.

When run at full capacity, the plant requires up to 730,000 mt/year or 60,000 mt/month of LPG feedstock. It has the ability to run upto 115% of its nameplate capacity. The second phase of the project will see another 500,000 mt/year of propylene capacity coming onstream. The startup date for this phase is still unknown.

Haiwei was said to have previously entered into a tolling agreement with Tianjin Bohai Chemical -- due to proximity to the latter's ports -- to offtake LPG and sell propylene to Bohai. But a market source said the agreement is no longer in place. This could not be confirmed with Haiwei or Bohai Chemical.

Haiwei is said to be currently receiving LPG from Shandong's Yantai Wanhua Chemical, one of the top three PDH operators in China, via road for the feedstock required during the test run.

The two companies are heard to be in discussions over a term contract for Wanhua to supply LPG once Haiwei's PDH plant starts commercial operations.

Wanhua currently imports four full cargoes of LPG, totaling 176,000 mt, every month to supply to its PDH plant that can consume up to 900,000 mt/year of propane, and to supply domestically to other PDH plant operators.

China is projected to import 15 million mt of LPG this year, up from 12 million mt last year, said consultant Ong Han Wee of energy consulting firm FGE.

"We may see 2 million mt more of imports into China next year," he said. "China's import demand was huge enough last year to absorb any incremental volume out of the US last year, but not this year," Ong added.