

## **Dow Chemical expects ethylene to tighten as 2017 PE expansions come online**

Platts.com, 26th Jan 2017

Dow Chemical is expecting ethylene supply to tighten and pricing to strengthen as US polyethylene expansions come online in 2017, the company said Thursday.

"The ethylene chains looks like it's staying where it is in terms of operating rate, if not tightening up as we move into the year," Dow Chairman and CEO Jim Fitterling said during Dow's earning conference call. "We've seen some tightening in Asia-Pacific and we know that things are going to balance a little bit in North America as we move through the year.

"There's been really some length in the ethylene in North America ... that is going to dry up and you'll start to see ethylene [pricing] strengthen," Fitterling said.

Dow is just one of several companies planning to grow production of ethylene and derivatives throughout North America amid ample supply of low-cost ethane.

In addition to adding 1.5 million mt/year of ethylene capacity via its Freeport, Texas, cracker scheduled for startup in mid-2017, Dow will also increase its low-density and linear-low density polyethylene capacities at the site by 1.05 million mt/year in the second half of the year.

All told, an additional 4.2 million mt/year of North American PE capacity could be realized in 2017 should planned projects by several producers hit their respective target dates.

Some of those PE expansions, however, could come online before the cracker additions.

One of those companies -- Nova Chemical -- recently announced that it has begun shipping prime LLDPE resin from its recently expanded PE plant in Joffre, Alberta. The new LLDPE unit's capacity is 431,000 mt/yr, according to S&P Global Platts analytics.

Dow did not update or expand upon its previously stated timeline for a mid-2017 startup of the 1.5 million mt/year capacity ethylene unit in Freeport, Texas. It did, however, state the facility is now at "95% mechanical completion" while adding that the startup remains on schedule.

In addition to PE expansions by Dow and Nova, projects from Ineos/Sasol, Chevron Phillips Chemical and ExxonMobil Chemical are expected to come online in 2017.

A joint venture in La Porte from Ineos-Sasol will bring more than 460,000 mt/year of HDPE capacity into the fold, while Chevron Phillips will add 1 million mt/year of HDPE and LLDPE capacity in Sweeney and ExxonMobil will add 1.3 million mt/year of HDPE and LLDPE capacity at Mount Belvieu.

In Mexico, Braskem Idesa recently announced that it was "operating at full capacity, above 95%," after market talk suggested the contrary. The joint venture between Brazil's Braskem (75%) and Mexico's Grupo Idesa (25%) spent part of 2016 ramping

up -- operating at utilization rates of 32% in Q2 and 63% in Q3 -- and boasts a nameplate capacity of 1 million mt/year of ethylene and includes 1.05 million mt/year of high- and low-density PE.

"Polyethylene capacity has ... constricted, a little bit, the ethylene capacity," Fitterling said. "As you have more polyethylene capacity come on, that ethylene is going to tighten up. I don't see this as a trough, I see it more as an adjustment to all of these increments in all of these capacity adds that are coming on."

Ethylene length was a consistent reality throughout 2016, as both spot and contract pricing reached lows not seen in more than a decade, according to S&P Global Platts data.

More than 5 million mt/year of ethylene capacity are expected to be added to the market via four new steam crackers slated to come online in 2017 along the Texas Gulf Coast -- home to most of North America's petrochemical industry.

"There's plenty of ethane to run the crackers, even with exports," Fitterling said, referencing projections for favorable 2017 ethane cracking spreads. "We're not seeing any weakness in the ethylene chain."