

Iran's petrochemical capacity to grow threefold by 2025: consultancy

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Iran is set to increase its total petrochemical capacity from 59 million mt to 180 million mt within the next 10 years, an executive from US consultancy firm Frost & Sullivan said Thursday on the sidelines of the 4th CMRI Petrochemical Conference in Seoul.

The increased petrochemical volumes will include a wide variety of products like gas condensate, basic chemicals, polymers, fertilizers, and aromatic products, said Ali Mirmohammad, Senior Consultant and Business Development Manager for Iran for the Texas-based consultancy.

However, Iran will focus on methanol along the value chain especially polypropylene, dimethyl ether, formaldehyde, MTBE, Methylamine, and acetic acid.

Methanol to polypropylene will have a key focus, Mirmohammad said.

Europe & Americas Petrochemical Scan provides weekly aromatics prices for the key aromatics in Europe and the U.S. Track the performance of benzene, styrene, toluene and other building blocks for the plastics and pharmaceutical industry, as well as petrochemical pricing and spot market pricing.

"Polypropylene apart from other polymers has a broad level of use in many industries especially in automotive, home appliances and other sectors especially in pharmaceuticals and for food packaging. Polypropylene is safer, more economical than polyethylene, than PVC, so more demand for polypropylene [is expected]," he said.

Mirmohammad also said in a presentation that from 5 million mt currently the installed capacity of methanol could increase to more than 24 million mt by the end of 2020. This may be ramped up to 34 million mt by the end of 2025.

In the next 10 years Iran aims to export valuable products from methanol, the presentation showed.

In the next three years the country aims to be one of the top producers and exporters of ESR in the region.

Mining and manufacturing are also expected to see significant growth, with the former showing a 25% annual growth rate by 2025 from only 9.8% in 2015 and the latter increasing to 11.2% from 6.7%.

Mirmohammad said Iran was seeking to reduce its dependence on oil and gas, as part of the government's new roadmap announced last year, with more downstream applications developed in the country.

These petrochemical-based products included home appliances, pharmaceuticals, polymers used in automotives, rubber and plastic, he added.

Iran requires around \$80 billion to push through with its petrochemical industry development plans by the end of 2025, Mirmohammad said.

If successful, these investments could boost exports for the entire petrochemical industry value chain from less than \$13 billion in 2015 to more than \$41 billion in the next 10 years, he said.

CHALLENGES

Mirmohammad said however there were challenges along the way and he did not expect Iran's economy to revive in 2017.

Financing is one area of concern. Iran has \$100 billion still locked in banks worldwide, Mirmohammad said, adding it would take several years before the country could resolve its international banking problems.

Another issue is the \$350 billion private liquidity in Iranian banks, Mirmohammad said, adding that the relatively high private banking interest rates within the country -- about 24% seen four or five years ago -- had hampered private investments in key industries. He said at the moment there were efforts to reduce these interest rates down to 15%-18%.

Meanwhile, the elections in Iran in May next year will be a limiting factor for a revival of the economy, Mirmohammad said.

"Because once the new president takes office everything will go [on hold]. They [will be] waiting for new ministers, they [will be] waiting for new policies, they [will be] waiting for new regulations. So nothing will change," he said. "But by mid-2018, once the president has set up and once the parliament can deregulate old regulations and policies, definitely everything will change."

Also, the government continued to invite foreign investment and the foreign minister was in negotiations with many banks to attract them to come to Iran to enter into a joint venture, he said.

"It will take at least one or two years. So that is why we're saying from mid-2018 onwards the situation will recover," Mirmohammad said.