

Lengthy Ludwigshafen cracker shutdown would reduce NWE naphtha demand: trade

Platts.com, 18th Oct 2016

The shutdown of BASF's two steam crackers at Ludwigshafen in Germany following a deadly explosion Monday could reduce naphtha demand in Northwest Europe if the crackers remain offline for more than just a few days, naphtha market participants said.

"The impact probably depends on the duration of the problem, but if the crackers are really shut down, it sounds severe," one petrochemical end-user said.

According to a trader, there has been talk that the closures could actually represent just two days of demand loss.

In its latest update on the accident, BASF said in a statement Tuesday morning that "the fire at the BASF North Harbor in Ludwigshafen on October 17 was put out [Monday at] 9.30 pm...Among others, pipelines with the products ethylene and propylene were burning."

The company added: "Because the raw material supply is still interrupted, the steam crackers remain shut down."

The process of restarting a steam cracker takes at least a week, according to another naphtha market participant.

"If a cracker goes cold, you need to pre-heat it before restarting it," he said. "So if the crackers have truly been shut down, it's a few kt per day that have to go elsewhere. It is not a massive amount but that would be bearish as they would have to reshuffle some supply," he added.

"I think it is very unclear what the situation is there and too soon to conjecture," another market participant said. "What seems clear is that the issue was around the harbor and not related to the crackers themselves so then it becomes more of a logistics issue." In the paper market, the November CIF NWE naphtha crack strengthened to minus \$3.40/b at the close Monday, from minus \$3.65/b on Friday amid slightly lower crude futures. The October/November CIF NWE naphtha backwardation narrowed to \$1/mt from \$1.50/mt and the November/December contango was unchanged on the day at \$1.25/mt.

In the physical market, the CIF NWE naphtha cargo was assessed at \$435/mt Monday, down \$0.75/mt on the day and assessed at a \$2.25/mt premium to the front-month swap, down from a \$3.25/mt premium Friday. Trading sources said Monday that naphtha supply was rather tight at the prompt, but the outlook was uncertain for November.