

## **Petrochemical production ramp-ups to weigh on H2 2016 margins: Baader bank**

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Production ramp-ups at petrochemical plants in the second half of 2016 and early 2017 will weigh on margins, Germany-based Baader Bank said Monday.

"The sector is facing difficult times with over-capacities and that all companies are trying to cope with the difficult situation by further restructuring measures and further consolidation," the bank said in a note.

However, it said the third quarter "might be again better than feared."

Petrochemical margins were consistently high in the first half of 2016 because of several cracker turnarounds in Europe and Asia, but several of them will restart in October.

Czechia's Unipetrol expects to restart its Litvinov cracker and reach standard operations in late October. The cracker was shut following a fire almost a year ago.

BP Refining and Petrochemicals shut one of its two steam crackers at its Gelsenkirchen, Germany, facility for maintenance on August 23 and expects to restart in October. The crackers have ethylene capacities of 562,000 mt/year and 484,000 mt/year, making up 4.4% of Western European capacity.

Hungarian oil and gas company MOL shut its Tiszaujvaros butadiene plant in early August for maintenance. The unit, which has the capacity to produce 130,000 mt/year of butadiene, is expected to restart in October.

Italy's Versalis shut its Dunkirk cracker at the end of August for maintenance and is also expected to restart in October.

LBI, which operates two crackers at its Wesseling, Germany, site with capacities of 305,000 mt/year and 735,000 mt/year was heard to have shut one in early September and will restart in early October.

In Asia, Sinopec Sabic Tianjin Petrochemical shut its 1 million mt/year steam cracker on August 11, along with its 200,000 mt/year butadiene extraction unit, and resumed production this weekend.

PetroChina subsidiary Lanzhou Petrochemical shut its 135,000 mt/year butadiene unit in early August and is expected to restart Wednesday.

The automobiles sector will be a key driver of petrochemicals demand, Baader Bank said. "Companies report a still good automotive and construction demand," it said. "We got the impression that the demand momentum from the automotive industry came down somewhat already, but that it is still a healthy driver for chemical volumes."

New EU passenger car registrations in January-August rose 8.1% year on year to 9,787,760 units, the latest data from the European Automobile Manufacturers Association showed.

In August, EU passenger car registrations rose 10% year on year, the data showed.

Passenger car manufacturing companies are important consumers of a range of polymers, including polypropylene, polystyrene and acrylonitrile butadiene styrene.