Start-up of 4 mil mt/year of new Iranian methanol capacity delayed: trade sources

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About 4 million mt/year of new Iranian methanol capacity expected to begin production this year has been delayed from its original schedule, trade sources said. This is expected to help support the product's prices globally, they added.

While Kaveh Petrochemical Company's 2.3-2.5 million mt/year plant in Bandar Dayyer is expected to start commercial production by the end of this year, Marjan Petrochemical Company's 1.7 million mt/year plant at Assaluyeh is expected to start up by early 2018, trade sources said. Both plants were originally expected to start in 2016.

The two companies could not be reached for comment on the reasons behind the delay.

"We were earlier told that the Kaveh plant would start by March this year. However, we now understand that the startup has been delayed to end-2017," a Dubai-based trader said. "Kaveh may even be started up early next year," a consumer based in China said.

Marjan's plant is expected to start by early 2018, sources said.

PRODUCT DESTINED FOR CHINA

Product from these two plants is expected to be sold into China and a delay in supplies in likely to cause tightness and lend support to prices. Iran is the largest exporter of methanol to China and exports about 200,000 mt/month of the product to the country on average. Most of the methanol exported into China is to meet the requirements of new methanol-to-olefins plants that have come up in the country. These include Qinghai Damei Coal Industry's 300,000 mt/year ethylene capacity MTO plant in Xining, Qinghai province and Sinopec Zhoong Tian's 900,000 mt/year ethylene capacity plant in Ordos, Inner Mongolia.

Besides these, there are several other MTO plants slated for completion in China in 2017 including Shenhua group's MTO plant at Urumqi in Xinjiang province and Shenhua Xiwan's plant at Yulin in Shaanxi.

The bulk of the CTO/MTO ethylene projects were expected to come onstream by 2018. Chinese MTO producers have reportedly built up huge storage capacities for methanol near their plants to accommodate stocks as high as 400,000 mt at a time.

"This [MTO plants storing methanol] has reduced Chinese methanol inventories in ports. Against the usual inventory of 1 million mt, they are currently storing nearly half that volume," the Chinese consumer said. According to latest data from Chinese customs, methanol imports into China stood at 587,848 mt and 679,918 mt in October and November respectively.

Data on exact methanol inventory in the country was not available.

Demand for methanol in China has supported the product's price, S&P Global Platts data showed. Methanol prices in the country rose 58% during the August-December period: methanol was assessed at $222/mt CFR China on August 1 while the last assessment for 2016 stood at $350/mt CFR China. This was the period when MTO producers in China were procuring methanol for storage.

Chinese methanol prices have been flat to bearish since and were last assessed at $331/mt CFR China Thursday, as some MTO plants have slashed run rates before the approaching lunar New Year holidays, sources said.

A rise in methanol prices in China traditionally propels prices in other markets including Europe and the Americas.