

US shale petrochemicals to affect European market by 2018-19: Borealis CFO

Platts.com, 23rd Nov 2016

High volumes of shale ethane and the petrochemicals manufactured from it are expected to hit the European petrochemicals market in 2018-2019 as new production capacities emerge in the US, a senior official at Austrian major Borealis said Tuesday.

Mark Tonkens, Borealis' chief financial officer, said in an interview with S&P Global Platts that this is expected to put downward pressure on prices of petrochemicals in Europe and weigh on producers' margins.

Companies building shale-based greenfield projects in the US include ExxonMobil, Chevron Phillips, Dow Chemicals, Indorama, Westlake and Sasol, all building crackers with capacities of at least 1.5 million mt/year that will come online by next year. Several other crackers are scheduled to be completed in 2018-20.

Olefins produced from these crackers will feed into downstream manufacturing plants. "The US will export what it will not consume," Tonkens said.

Though Borealis received its first ethane cargo for its cracker in Stenungsund, Sweden, in September, regular shipments are expected to begin by the end of 2017, Tonkens said. The company has signed a shipping agreement with Navigator Holdings, a liquefied gas logistics company, to transport ethane from Marcus Hook to Sweden. The company plans to import 240,000 mt/year of shale-based ethane when full-scale imports begin.

Tonkens said expectations for olefins and polymers demand in 2017 ranged from "decent to good" but said demand may not be as good as 2016. "We don't see any major reason for margins to come under pressure in 2017," he said.

Borealis said Tuesday it made a net profit of Eur304 million (\$323 million) in the third quarter of 2016, up 18% year on year. For the fourth quarter it expects further "solid" results but that the market environment could become less favorable in the next few quarters, CEO Mark Garrett was quoted as saying in the results statement.

Borealis' 625,000 mt/year ethylene capacity cracker in Stenungsund, Sweden, and 400,000 mt/year cracker in Porvoo, Finland, are able to process a mix of feedstocks including liquids, LPG and ethane.