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# ICIS Chemical Business

**MAKING SENSE OF CHEMICAL PRICES**



**MARKET OUTLOOK**

## **BEWARE CHINA CREDIT CYCLES**

As the government tightens credit, the now buoyant global petrochemical sector could be in for a rude awakening



Ethylene exports from the US look set to ramp up as a wave of new crackers and downstream units are being built and come on stream

# Integra keeps an eye on US ethane

Petrochemicals trader Integra is looking at opportunities in the US as cracker expansions look set to boost ethylene exports, with Asia a key market for product

**JOHN BAKER** LONDON

**T**he wave of ethylene crackers and downstream units now being built and brought on stream in North America as a result of low-cost ethane available from shale gas exploitation will stimulate opportunities for ethylene exports from the US.

This will open up opportunities for petrochemical traders as well as the major producers, believes Gina Fyffe, executive director of Integra, a well-established trader based in Singapore but with global operations.

Integra has been watching developments closely and is willing to co-invest in export infrastructure investment, she says. Alternatively, Integra could participate through the signing of long-term offtake contracts once an investment is made.

The US currently has one limited export terminal on the Houston Ship Channel, run by Targa Resources and contracted to Mitsubi-

shi Chemical, capable of handling four to five cargoes a month. A few parties are considering terminal projects and, says Fyffe, “hopefully one will go ahead”.

“There is likely to be an excess [of ethylene] in the US for some years,” she says. “It will be difficult not to export ethylene, even though it is more logical to export polyethylene, MEG and PVC”, as they are easier to handle.

With so much ethylene and derivatives capacity being added, she explains, there is likely to be excesses and shortages of ethylene in the US Gulf system at times, due to the relative timing of cracker and polymer plant start-ups and any unexpected delays and outages.

## EXPORTS TO EUROPE AND ASIA

Europe will continue to be a net importer of the polymer feedstock, says Fyffe. There is also likely to be a market for cargoes in Asia, which continues to be structurally short of ethylene, given recent cut backs in Japan and

lack of investment in Southeast Asia. Even a reduced cracker maintenance schedule in the region this year is unlikely to see import requirements diminish, says Fyffe.

However, she believes that the export of ethane from the US, will not be attractive to the trading community at least in the coming years. Integra, she adds, is not looking to participate currently in what looks like a growing business. Exports will remain in the hands of the petrochemical majors, such as INEOS, SABIC and Reliance Industries, who are using the ethane primarily in their own cracker operations.

The large investments required in pipelines, terminals and specialised – and thus expensive – shipping, and the need to move large and continuous volumes under long-term contracts, does not lend the business to a trading model, she explains. “Like LNG, we can’t add value in the early years and it’s really a big-boys game.”

Although it has no direct interest in ethane in the short-term, Integra is watching develop-

ments in the market very closely, as feedstock developments in the US are very important and can have an impact on the global petrochemical markets that Integra operates in.

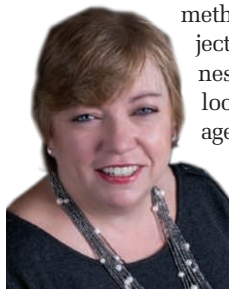
As she explains, the recent drop in global naphtha prices, ahead of softening ethane, made the liquid feedstock more competitive in the early part of this year, leading to enhanced production of C4s and aromatics in the US cracker system.

With Asian and European operators also maximising naphtha usage, the result has been sliding prices for pygas, styrene, benzene and especially butadiene. "We are thus very interested in shale and ethane in the US from a planning point of view."

These latest developments, with prices falling sharply, have made the environment difficult for everyone in recent months, although the situation seems to be stabilising going forward.

The year, says Fyffe, started out very well for Integra, as it bought various products from the US and Europe to bring into Asia. But recently the market has slowed and she has seen an element of destocking as companies in the region become more cautious.

The expected start-up of Chinese coal – and



methanol-to-olefins projects and the fact that Chinese producers too are looking broadly to manage inventories as they do not want to get caught out, are slowing market activity.

"Buyers are wary."

**"A key requirement for Integra is that we are able to trade intra-regionally... so we know what's going on in the markets"**

**GINA FYFFE**

Executive director, Integra

They want lower prices and are trying to gauge the price direction. Thus, the market is very much driven by sentiment, inventory and necessity at the moment. Traders need skill and a degree of patience at the present time. The Asian markets are very sensitive to naphtha prices and these are still swinging around."

Integra is also looking to expand operations in Latin America and the Middle East. It has just opened a new agency office in Brazil, to be able to monitor growing trading expectations for liquid petrochemicals in that country and Argentina.

And in the Middle East, it has a number of potential investments that it may pursue and has several non-disclosure agreements (NDAs) in place with investors in the region. The key here, she says, is to establish trust and become established in producers' supply chains. As the region moves downstream into new products, she says, there will be opportunities.

As Fyffe explains: "A key requirement for Integra is that we are able to trade intra-regionally in these areas so we know what's going on in the markets. We can then trade globally and not make mistakes. We have a strategy of expanding 'close to the tree', so not going out too far into unknown areas."

In the past few years, Integra has thus expanded from its core olefins, intermediates and aromatics trading activities to add a range of more energy-related products. "We've survived for 28 years by innovating, but not in crazy ways. The petrochemical industry is one of usually quiet innovation and our own innovation has gone hand-in-hand." ■



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