

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 23.22 – Dec 2023



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- Since our last report, oil prices are significantly lower, naphtha prices are slightly lower and propane prices are higher. So, sort of a mixed bag but in general the global feedstocks for PGP and PP have been moving lower in the 4th quarter as global demand weakens.
- WTI crude oil prices are lower by over 7% the past four weeks to \$71.70 /barrel. WTI crude oil prices are now 23% lower than its late September 2023 peak of \$93.68/barrel. WTI crude oil appears poised to break below \$70/barrel and test the 2023 low price of approx. \$67/barrel. The United States' increasing oil supply since the Covid crisis, including its record oil export numbers, is overshadowing any supply cuts announced by Saudi Arabia to keep the oil market well supplied.
- Naphtha prices (CIF Japan) are 1% lower to \$640/mt
- Physical propane prices in Mont Belvieu, TX are higher by almost 8% this past month to a spot price of 69.75 cents per gallon (cpg).

Propylene

- Physical PGP prices are up to 45cpp from 41.5cpp two weeks ago. Physical PGP were in the 48-50cpp range to start November and reached a high of 50.5cpp on Nov 8th. Then prices slid lower around the middle of November into the 41-42cpp range. However just yesterday physical PGP prices popped back up from 42cpp to 45cpp.
- There was news yesterday of a fire at the Enterprise PDH 2 unit in Mont Belvieu. According to a TX filing the shut down is expected to last 30 days. However, PDH units are historically difficult to get back up and running, especially after an unplanned shutdown event from a fire. This unit may take some time before its back up.
- Clearly this was unexpected and will impact our view of PGP pricing for the remainder of the month. BlueClover was estimating contract PGP in December at 39cpp. This estimate was expecting the trend of lower PGP to continue from the 2nd half of November thru December. BlueClover was expecting physical PGP pricing to drop into the 35-39cpp range for much of December. Prior to the Enterprise unit going down there was some physical PGP pricing support at 41cpp but in our opinion the market just needed some time to work through that price level. As a result of the fire at the Enterprise PDH unit, BlueClover is revising our contract PGP estimate from 39cpp to 45cpp. A December contract PGP price of 45cpp would represent a 3cpp decrease from the November contract PGP price of 48cpp.

Market Update

Propylene (cont'd)

- SO why an expectation of a drop in contract PGP in the same month that a PDH unit catches fire? While the fire has impacted PGP supply availability, the demand for PP has remained subdued (more on that in the next section). BlueClover is estimating that the physical PGP pricing is in the 42cpp to 45cpp pricing window for December as a result of the fire as opposed to the 35-38cpp pricing window we had expected.
- If you're on the side where rising PGP prices is not good for your business, hopefully we are correct and there is a drop in contract PGP pricing in December, it just may not be as much as you hoped for when the month started.

Polypropylene

- There is still an imbalance between physical widespec PP markets and PGP pricing. If physical PGP were to settle in around 42cpp this would reflect an approximate contract PGP price of 45cpp. In a strong demand PP market, producers would like to achieve a 3-7cpp premium for widespec HomoPP over contract PGP. Instead as a result of the weak PP demand, producers are having to sell widespec PP at parity to the estimated contract PGP price and in some cases lower depending on quality of the car.
- According to the American Chemistry Council, demand for PP in October was 4% lower than September and the September demand was 3.8% lower than August. Producers adjusted operating rates lower in September and October to account for this weakening demand. August and September had months where supply was less than demand but October saw the reversal where more product was supplied than consumed.
- Customers who have been wanting to buy at low prices in December should take note of the PGP pricing activity and when a PDH unit goes down pricing can indeed go haywire. For this reason, if there are solid offers in front of you relative to where you have been seeing prices for the past couple of months than you might want to strike fast.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Dec 6</u>	<u>Price as of Nov 7</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	76.55	81.76	USD/barrel
WTI Crude	Cushing, OK	71.70	77.48	USD/barrel
Natural Gas	Henry Hub, LA	2.74	3.14	USD/MMBtu
Naphtha	C&F Japan	640	647	USD/mt
Ethane	Mont Belvieu, TX	19.875	25.5	Cents/Gal
Propane	Mont Belvieu, TX	69.75	64.75	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	20.25	20	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	45	48.25	Cents/Lb

HERO GREEN™ - PP Recycled Grades

Please click the link [here](#) to see the full line card.

Trader Toolbox – Notable Leaps in PP Recycling

We felt it nice to highlight some of the progress made in PP Recycling.

Please click [here](#) to visit an article in the Recycling Product News announcing how PP recycling rates have increased ninefold.

The article highlights how The Recycling Partnership provided \$10.3 million USD in grants to 41 MRFs to support new and improved PP recycling. As a result of these grants, along with continued progress by brands and convertors to transition into more recycled materials, the facilities have increased their pounds of PP captured from 1.3 million pounds to 11 million pounds.

Some good news and another highlight that progress continues to be made in the PP Recycling space.



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