

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.05 – Feb 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- Since our last report two weeks ago, oil and naphtha prices are about the same and propane prices are down about 7%.
- WTI crude oil prices are unchanged around \$79/barrel. WTI Crude oil is up a little over 12% year to date from a Jan 2 starting price around \$70/barrel. Last year global exporting nations cut crude oil production to stop the slide in prices that occurred in the 4th quarter of 2023. Many oil analysts expect these production cuts to be extended past the 1st quarter into the 2nd quarter as global demand has not picked up enough to suspend these cuts.
- Naphtha prices (CIF Japan) are the same at \$690/mt.
- Physical propane prices in Mont Belvieu, TX pulled back to 85 cents per gallon (cpg) from 92 cpg. Prior to this recent pullback propane prices were up 34% year to date for reasons we highlighted in our last report.

Propylene

- Physical PGP prices are 55cpp, up only 1cpp from two weeks ago. Since our last report, physical PGP prices dropped down to 52cpp on Thursday Feb 15th and then rallied up to 57cpp on Friday Feb 23rd and then traded at 55cpp yesterday. The February monthly average for physical PGP prices will come in around 52.9cpp. This is up from 48.8cpp for the January monthly average for physical PGP. PGP prices have increased 6 months in a row after it reached a low monthly price of 31cpp in August 2023.
- In our last report on Feb 14th BlueClover estimated that the February contract PGP price would increase 4cpp. This has now been confirmed and the Feb contract PGP price is 55cpp, up from 51cpp in January. We'll take that small win.
- BlueClover's bigger claim has been that we expect a significant price drop at some point in the next two months. Our estimates would expect the price drop to occur in March. However as we wrote in our last report, it is incredibly difficult to call the top of bull markets and March may end up pricing higher than February given the continued tightness. All that being said BlueClover is expecting a decrease of 12 to 15cpp in contract PGP prices either over a two month period (either the March-April time period or the April-May time period).

Market Update

Propylene (cont'd)

- BlueClover is estimating March contract PGP in the 44-47cpp (up from 43 – 46cpp in our last report) range and April in the 40-43cpp range (same as our last report)
- As a reminder in 2023, April PGP physical pricing dropped 19cpp from the March high of 60cpp and then May dropped an additional 6cpp. This was after 5 straight months of increases where PGP went from 28cpp to 60cpp (an increase of 114%). In the most recent run up PGP only went from 31cpp to 55cpp (an increase of 77%) in 6 months so our price decrease estimates for the next months do not have as steep a drop off than what transpired last spring.

Polypropylene

- It's the same story for PP, certain grades of widespec homopolymer are selling at a discount to the contract PGP price because the supply/demand dynamics are not strong enough for the product to trade at a premium to contract PGP. The widespec PP grades that may command a premium to contract PGP will be higher melt and/or higher izod impact copolymers along with higher melt HomoPP (say north of 20 melt).
- What's interesting of late is that there has been less product of the very low-end grade 4 types and the higher melt, higher izod impact CoPP types available in the market. Now these two types of PP products are on opposite ends of the widespec pricing range but their limited availability leads us at BlueClover to wonder if PP producers have lowered operating rates even further to reduce the impact of high feedstock pricing.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Feb 28</u>	<u>Price as of Feb 14</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	84.24	83.25	USD/barrel
WTI Crude	Cushing, OK	79.56	78.32	USD/barrel
Natural Gas	Henry Hub, LA	1.86	1.67	USD/MMBtu
Naphtha	C&F Japan	690	690	USD/mt
Ethane	Mont Belvieu, TX	19.25	19	Cents/Gal
Propane	Mont Belvieu, TX	85	92	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	18.875	19.375	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	55	54	Cents/Lb

HERO GREEN™ - PP Recycled Grades

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

Trader Toolbox – Petrochemicals are the Growth Driver for Crude Oil

[Here is an interesting article](#) that was published today about how petrochemicals are the growth driver for crude oil demand.

Some highlights from the article:

- “The International Energy Agency forecasts that petrochemicals are set to account for more than a third of growth in oil demand through 2030 and more than half starting in 2050”
- “Petrochemicals have been a major part of processing oil for about 100 years, first growing sharply to supply World War II efforts with new materials like plastics and polymers. Since then, they have seeped into almost every facet of modern life. Along with plastics, they are used to make clothing, plastics, adhesives, lubricants, paints, fertilizers, food preservatives and digital devices. Twelve percent of global oil demand came from the petrochemical sector in 2018, according to the International Energy Agency. By 2050, it could capture 55 percent of crude oil demand.”

BlueClover thoughts:

In our opinion the PR issues with plastics has mainly been about single-use/pollution and less about its fossil fuel origination. As plastics and petrochemicals become a larger share of crude oil demand (as combustible engines continue to give market share to electric vehicles), plastics will have a larger target on its back from both its fossil fuel based origin along with its single-use based problems.

Additionally, we wonder if crude oil demand over the next several decades has been over-stated from these trade industry groups such as the International Energy Agency. Is the IEA not factoring significant virgin to recycled switching across different product groups along with potential changes in consumer behavior?



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