

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.09 – April 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- WTI crude oil prices slid lower after rallying for much of this year. Over the past two weeks, WTI prices are down a little over 3% to \$82.21/barrel.
- Propane prices in Mont Belvieu, TX are down about 6% the past two weeks to 77.75 cents per gallon (cpg).
- Naphtha prices (CIF Japan) are unchanged around \$700/mt

Propylene

- Physical PGP prices currently sit at 41cpp, down 2cpp from our report two weeks ago, down 7cpp from our report four weeks ago, and down 17cpp from our report six weeks ago. The current estimated monthly average for April physical PGP is approx 42cpp.
- From our report one month ago: *“We are digging our heels in and stating we expect physical PGP pricing to drop 13-16cpp over the April-May timeframe. To be a bit more specific we expect physical PGP pricing to drop 13-16cpp from the March average price (not just from the March high price of 60cpp) over the April-May time frame”*. At current pricing of 41cpp physical PGP prices have dropped 15cpp from the March average price of 56cpp.
- Each week it seems that the 7 month bull market in PGP has broken and a bear market has established itself. BlueClover estimates that physical PGP pricing will continue to trend lower into May and June. Same reasons from our last report: supply for PGP has improved from the 1st quarter (Enterprise’s PDH is expected to come back up in early May), some PGP demand is subdued because of some PP units not running, flat(ish) domestic PP demand, and low export volumes.
- Same as two weeks ago. BlueClover anticipates physical PGP pricing to trend towards the upper 30s thru the end of May and then into the 35-37cpp range in June. BlueClover is estimating April contract PGP at 47cpp (this was 48cpp in our last report), the May contract PGP in the 42-43cpp range (unchanged from our last report) and the June contract PGP price in the 39-41cpp range (unchanged from our last report).

Market Update

Polypropylene

- Widespec Homopolymer PP railcars direct to freight friendly are transacting around 46 to 48cpp depending on the grade and quality. Higher Melt 2 plus izod Widespec Copolymer PP railcars can be anywhere from 2cpp to 6cpp higher depending on grade and quality.
- As we have discussed in reports of past, the widespec PP market is off about 6-8cpp from the March highs versus a 15cpp drop in physical PGP pricing. The spread between physical PGP and widespec PP in March was not sustainable.
- The zeitgeist among PP buyers is that pricing is sliding lower and they continue to press for lower prices during negotiations. Customers utilize the falling PGP prices and higher inventories (PP domestic days of supply are at 47, which is 10 days higher than the 3 year average) as their leverage points. However, producers counter that there are still 2 PP producers in Force Majeure and PP operating rates continue to run below 80%. So while more supply is available right now it may get reduced as customers come back to buy. Also with lower PGP prices producers can export more volume with far less pain in profits compared to last couple of months. This gives supply another demand outlet.
- BlueClover's view is that widespec PP pricing will move on 1:1 ratio with PGP from this point forward. So if PGP prices slide lower, we expect PP prices to move lower by the same amount. The only caveat would be for prime PP materials. BlueClover thinks there is a greater than 50% chance the producers will get a 2cpp margin expansion between contract PP prices and contract PGP prices over the 2nd quarter 2024.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of April 24</u>	<u>Price as of April 10</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	87.51	89.37	USD/barrel
WTI Crude	Cushing, OK	82.21	85.08	USD/barrel
Natural Gas	Henry Hub, LA	1.62	1.88	USD/MMBtu
Naphtha	C&F Japan	700	700	USD/mt
Ethane	Mont Belvieu, TX	19	19.5	Cents/Gal
Propane	Mont Belvieu, TX	77.75	82.625	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	19.375	19.5	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	41	43	Cents/Lb

HERO GREEN™ - PP Recycled Grades

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

Trader Toolbox – Global plastic treaty talks are happening

Reuters story:

[Global leaders will gather in Canada's capital this week to discuss progress in drafting a first-ever global treaty to rein in soaring plastic pollution by the end of the year.](#)

Some Key Points:

- At the U.N. Environmental Assembly in 2022, the world's nations agreed to develop a legally binding agreement by the end of 2024 to address the world's plastic pollution crisis. The treaty is meant to address plastics through their entire lifecycle - from when they are produced, to how they are used and then disposed of.
- The plastic industry now accounts for 5% of global carbon emissions, which could grow to 20% by 2050 if current trends continue, said a report last week from the U.S. federal Lawrence Berkeley National Laboratory
- This week's talks are set to be the biggest yet, with some 3,500 people registered to attend including lobbyists, business leaders, lawmakers, scientists and environmental non-profits.



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