

MARKET UPDATE

Americas

- Multiple force majeure after Ida
- Producers announce price increases
- Some contract export customers face supply shortfall

Europe

- Northwest Europe still tight
- Upward price push in Spain and Italy
- Seaborne markets tight; little impact from Ida

Asia Pacific

- Export prices rose further
- Buying support remained firm
- Flakes prices higher on China's supply tightness

AMERICAS

The US Gulf coast chlor-alkali sector has started assessing damage and restarting after Hurricane Ida hit the area last weekend. Some producers have increased prices for the domestic market to reflect the expectation of tighter caustic soda availability in the coming weeks.

The hurricane hit the Louisiana area, where around 4.2m t/yr of chlorine capacity – a third of total US capacity – is based. This was all shut down ahead of the storm and remains off line, along with derivative capacity. It appears that most of the plants in the region suffered little or minimal damage, but the largest bottleneck may be caused by power outages and insufficient supply of industrial gases, which could delay start-up for some days, and potentially longer. Initial estimates range from a few days at some locations to 4-6 weeks at others.

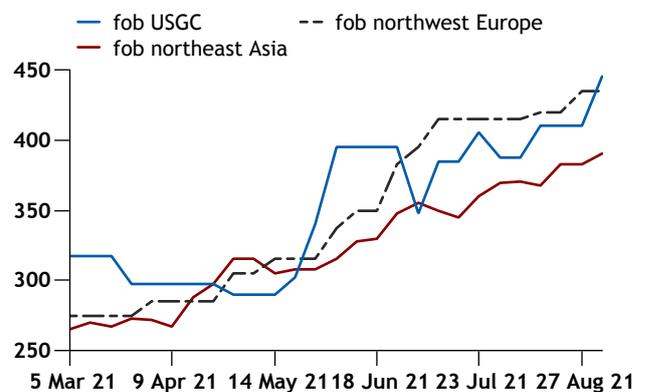
Indications are that the Plaquemine area has emerged relatively unscathed. Plants could restart promptly, but that will depend on the restoration of power and other utilities feedstocks. The Geismar area was hit hard by the storm and is likely to take longer to restart. There are indications of some damage to isocyanates facilities. If chlorine derivatives remain down for a longer period it could also have an impact on operating rates at plants outside the area, which produce roughly 100,000 t/yr of chlorine transported in. The Taft and

MARKET PRICES

Key prices						
		Units	Timing	Low	High	±
Americas						
Caustic soda (27 Aug)	fob USGC contract	\$/dst	Aug 21	625	675	+20.00
Caustic soda	fob USGC export	\$/dmt	week 35	430	460	+35.00
Caustic soda	North America barge	\$/dst	week 35	470	500	nc
Europe						
Caustic soda (27 Aug)	fd northwest Europe contract	€/dmt	3Q21	405	490	nc
Caustic soda	fob northwest Europe export	\$/dmt	week 35	420	450	nc
Caustic soda	cfr Med and Black Sea import	\$/dmt	week 35	460	530	nc
Asia-Pacific						
Caustic soda export	fob northeast Asia	\$/dmt	week 35	390	390	+7.50
Caustic soda import	cfr southeast Asia	\$/dmt	week 35	430	435	+12.50
Caustic soda import	cfr India	\$/dmt	week 35	240	245	nc
Caustic soda 50pc contract	ex-factory China	Yn/dmt	week 35	2,140	2,200	nc
Caustic soda 50pc contract month range (27 Aug)	ex-factory China	Yn/dmt	Aug 21	2,060	2,380	+30.00
Caustic soda solid export	fob China	\$/t	week 35	435	445	+45.00

Global caustic soda export prices

\$/dmt



Convent chlorine areas were in the direct line of Ida and are at risk of the longest delays.

The port of New Orleans trade hub remains closed to all traffic and storm damage has halted navigation along parts of the lower Mississippi river. Shipping activity is unlikely to resume by the end of the week, but there is some confidence that the situation should improve over the weekend and into next week.

Following the hurricane, multiple force majeure were announced across the chlor-vinyl chain. One producer with

two plants announced an 80pc allocation for caustic soda across its system, while maintaining a pre-existing allocation on chlorine. Another announced a system-wide force majeure on all caustic soda in its North American system, as well as on PVC and VCM.

Consumption capacity of both caustic soda and chlorine will also have been lost, but overall the event will further tighten the chlorine and caustic soda balances. This is expected to be supportive of price increases, although that will depend on the pace of recovery. One producer announced its intention to increase domestic caustic soda prices by \$55/dst for diaphragm grade and by \$75/dst for membrane or premium grades. Another producer announced a \$100/dst increase on diaphragm and membrane grades on Thursday. The success in implementing all or the majority of the price increases will depend very much on the pace of recovery.

Spot caustic soda export activity was already limited before the hurricane struck, and if logistics issues prevent the movement of product upstream for significantly longer than expected it will be even more constrained. Contract export customers also face reductions, with one USGC producer and a trading firm issuing force majeure notices to customers in Brazil. There has been no availability and no activity because of the hurricane, but it is evident that the previous range would not be representative at this moment. We have assessed the USGC export price higher at \$430-460/dmt on the basis of estimated netbacks from other regions and increasing domestic prices.

EUROPE

Northwest Europe is starting preparations for the fourth quarter. Sellers and customers are assessing possible market scenarios for October so they can begin formulating their price ideas. Both ends of the supply chain expect supply tightness for at least another few weeks, but opinions on its intensity vary. Producers are almost certain that availability will remain limited and that stocks will stay low into October, as the industry has yet to recover from a series of production issues and navigate current and upcoming planned shutdowns. They are also monitoring production outages in the US following Hurricane Ida and their impact on the seaborne markets, checking if production losses will prompt more enquiries in Europe. Local buyers are confident that contract volumes are secure, and that the healthy chlorine offtake could soon lead to an easier caustic soda market balance. Sellers and buyers will begin communicating their price ideas for October in the coming weeks, but there are already indications that some producers are contemplating

Louisiana chlor-alkali and derivative capacities		
Company	Location	Capacity
Chlorine/caustic soda ('000t, '000dmt)		
Occidental Chemical Corp	Convent	355/390
Occidental Chemical Corp	Geismar	443/488
Westlake	Geismar	318/350
Olin	Plaquemine	845/768
Olin	St Gabriel	224/246
Shintech	Plaquemine	1146/1260
Westlake	Plaquemine	427/470
Occidental Chemical Corp	Taft	255/232
KOH ('000t)		
Occidental Chemical Corp	Taft	323
EDC ('000t)		
Formosa	Baton Rouge	525
Occidental Chemical Corp	Geismar	277
Westlake	Geismar	750
Olin	Plaquemine	421
Shintech	Plaquemine	3170
Westlake	Plaquemine	1165
VCM ('000t)		
Formosa	Baton Rouge	653
Westlake	Geismar 420	
Shintech	Plaquemine	1900
Westlake	Plaquemine	726
PVC ('000t)		
Shintech	Addis	600
Formosa	Baton Rouge	540
Shintech	Plaquemine	900
Westlake	Plaquemine	750
Propylene oxide ('000t)		
Dow	Plaquemine,	315
MDI ('000t)		
BASF	Geismar	290
Huntsman	Geismar	900
TDI ('000t)		
BASF	Geismar	160

major price increases.

The Euro Chlor data for July show minor progress with chlorine output and caustic soda inventories for the EU27 countries plus Norway, Switzerland and the UK. Average daily chlorine output of 27,446t was 2.2pc higher than in June 2021 as operating rates moved to just above 86pc. Caustic soda stocks rose by 11.7pc to 191,122dmt between June and July, but remain low by any standard. It is possible that this progress was sustained in August, but the industry has still a long way to go until a comfortable caustic soda supply situation is reinstalled.

Some southern European producers are looking to raise prices further for September business. In Spain, a major producer is approaching customers with a €100/dmt price rise target on a take-it-or-leave-it basis, while other sellers are also understood to seek higher levels in order to close the price gap between Iberia and Italy. Buyers are bewildered by the magnitude of the proposed increase and are resisting upward movements, especially as demand is only just starting to recover from the summer lull and they have not experienced serious supply shortfalls. In Italy, some sellers intend to roll over prices from August into September, while others are seeking to raise prices by €50/dmt and some resellers are looking to pass on a larger proportion of recent import price increases to their customers in this month. August business took place at €440-550/dmt fd across southern Europe, with customers in Iberia paying around the lower end of the range and Italian buyers paying around the upper end of the range.

Caustic soda availability in the seaborne markets remains tight, with only few northwest European exporters considering October liftings. They are looking to push prices beyond the current high of \$450/dmt fob as they expect demand to continue to outstrip supply, with or without the impact of Hurricane Ida in the US. Some US importers are testing the waters in Europe and have placed enquiries, but they are not looking to conclude these urgently as the full impact of the US outages have yet to emerge. This week's pricing is stable at \$420-450/dmt fob.

Import pricing in the Mediterranean and Black Sea region is also unchanged at \$460-530/dmt cfr including import duty where applicable, as fixtures for October lifting have yet to materialise. The market is still awaiting new price indications, although some importers are looking to source at or just below \$500/dmt cfr. Caustic soda remains in limited supply, especially for northwest European origins, and the arbitrage from most overseas origins remains closed. Fresh enquiries have also emerged for destinations in the Americas following hurricane Ida, but shipping interest is low due to the lack of spot material.

ASIA PACIFIC

Northeast Asian export prices were firmer with one spot transaction of east China origin at \$390/dmt fob. The final destination of the cargo was undisclosed but will be used for short-covering purposes. The spot export availability remained largely stable, especially from South Korea and China but supplies from Japan and Taiwan were limited for September-October loading.

Firm demand for spot export cargoes saw an increasing number of producers adopting open tender methods, allowing the highest bidders to secure the cargoes instead of one-to-one negotiations. Chinese producers have opted to release more cargoes into the export market because of better netbacks compared with domestic parity prices.

Hurricane Ida that struck the USGC earlier this week has affected already bullish market sentiment in Asia, as buyers expected the supply shortfall in the USGC will divert their caustic soda purchases to northeast Asia, further tightening regional supplies and lifting prices. But some buyers were wary about a temporary impact, with prices reversing when the USGC resumes normal production.

Southeast Asian import prices continued to settle marginally higher at \$430-435/dmt cfr, with the latest two fixtures heading toward Malaysia. Another RFQ for imports from the Philippines was also issued and closing for submissions on 6 September.

A further rise in import prices in southeast Asia is possible because of robust offtake from regular import buyers and from newly built alumina and mineral processing plants in Indonesia.

A RFQ issued by Well Harvest for a 15,000dmt cargo for September-October arrival was possibly done at the end of last week at \$415/dmt cfr with domestic producers in Indonesia. This fixture is considered a domestic transaction and therefore excluded from Argus' southeast Asia cfr range. Well Harvest's second phase 1mn t/yr expansion is expected to commission its production line by the end of this year. The first batch of alumina is expected to be ready by next year's second quarter. The refinery is expected to consume about 200,000 dmt/yr of caustic soda when both lines are fully operational.

Domestic prices of caustic soda in China were largely stable with minor fluctuations within a narrow range. The latest contractual prices of the 32pc grade with Henan alumina refineries rose by 200 yuan/dmt to a new high of Yn2,450-2,550/dmt ex-plant. Prices of the 50pc grade with Shanxi refineries were fixed at Yn2,390/dmt ex-plant, an increase of Yn200/dmt.

The rise in merchant alumina prices in north China to the

new high of Yn2,900-3,000/t ex-plant bolstered caustic soda prices with refineries opting to raise run rates. Supplies have got a little tighter as some facilities have opted to shut down or scale down operations during environmental inspections, providing steady price support in north China.

The rise in contractual prices is expected to lift spot prices, especially in north China in the coming weeks. But producers in Shandong have opted to roll over their September contractual prices of the 32pc grade at Yn600/lmt and the 50pc grade at Yn968/lmt ex-plant. Spot prices of the 50pc grade were also unchanged at around Yn2,100/dmt ex-plant.

The caustic soda market in east China is largely stable as travel restrictions ease, allowing easier movement of cargoes by water and road. Although there was still some port congestion because of Covid-19 quarantine restrictions, the situation has significantly improved with many chlor-alkali production sites and their downstream industries resuming normal production. This has resulted in some build-up in caustic soda inventories.

Spot prices of the 32pc grade in Zhejiang and Anhui were unchanged at Yn780-830/lmt and Yn750-760/lmt ex-plant respectively. Prices in Jiangsu have dipped slightly to settle lower at Yn680-780/lmt ex-plant.

The merchant liquid chlorine market in China is mixed with prices in north China broadly higher, while prices in east China market fell within a narrow range. Mainstream ex-factory prices for truck delivery in Shandong increased by Yn550-600/t to settle higher at Yn1,300-1,600/t. The price has bottomed out from recent falls as demand from the downstream industries and restocking by trading firms lifted prices.

But mainstream ex-factory prices in east China fell by Yn50/t to settle lower at Yn1,000-1,300/t. The easing of travel restrictions and movement of cargoes have prompted chlor-alkali producers to resume full run rates, lifting chlorine inventories.

India's domestic liquid caustic soda prices have firmed to 30,000-30,500 rupees/dmt (\$414/dmt), excluding tax and delivery. The supply-demand position in the country remained tightly balanced as producers have to fulfil the volumes already committed in the export market, coupled with the steady offtake from domestic alumina refineries.

Producers lifted their indicative export base price to a new high of \$410-415/dmt fob for October-November loading cargoes, in line with their domestic parity price. Producers were also trying to hike their domestic prices to Rs34,000/dmt ex-plant with a tighter balance position.

Chinese caustic soda flakes export prices have increased significantly by \$35-40/t this month to \$435-445/t fob on the

back of tighter export availability and rising liquid export prices. Xinjiang Zhongtai, one of the main inland flakes producers in China, was experiencing some production issues that resulted in tighter export availability. It lifted prices by almost 10pc compared with last month.

The existing shipping constraints and higher freight rates have also contributed to higher regional cfr prices. Chinese flake offers to southeast Asia were higher at \$470/t cfr. Some traders were trying to hike their offers to \$500/t cfr with the supply tightness.

Flakes export prices from outside China were largely unchanged hovering at around \$370-380/t fob. These export prices were slow in reacting to the surge in Chinese offers, although there were indications of a price hike to raise their offers to above \$400/t fob.

The domestic flakes market in China was active. Xinjiang Zhongtai was shut down for maintenance and tightened supplies temporarily. The central environmental protection team have started inspections in some north China provinces. Operations at some plants were scaled down or closed for the inspections.

Continuing summer electricity curbs have also affected many of the chlor-alkali production bases in north China, further tightening flakes availability. But flakes consumption from the alumina industry was firmer in response to the rise in merchant alumina prices in China, lifting domestic prices significantly higher.

Mainstream flakes prices rose by Yn150-200/t in Inner Mongolia to about Yn2,350-2,400/t ex-plant, while prices in Xinjiang also settled higher at Yn2,150-2,200/t ex-plant. Prices in Shandong were a little firmer at Yn2,450-2,500/t, while mainstream prices in east China rose by Yn300/t to around Yn2,800/t ex-plant.

India's domestic flakes prices were also firmer in tandem with a rise in liquid prices to around Rs31,000-32,000/t (\$444/t) ex-plant, almost the same level as the liquid market. Demand for flakes from the broader smaller downstream segments remained largely subdued, as resistance to price hikes from smaller consumers remained strong.

Discontinuing India cfr caustic soda assessments

Following consultation, on 24 September Argus will stop publication of its caustic soda cfr India import prices. Argus will continue to consult the market on the potential for a caustic soda fob India export assessment. To discuss, please contact Bernard Law at bernard.law@argusmedia.com +6019 2822439

Renaming Asia-Pacific caustic soda prices

Following consultation, on 24 September Argus will remove “contract”, from the description of the following caustic soda price series: domestic China 50pc contract; domestic China 50pc contract month; domestic Thailand contract; domestic Malaysia contract; domestic Singapore contract; domestic Indonesia contract; and domestic India contract. There is no change in methodology. To discuss, please contact Bernard Law at bernard.law@argusmedia.com +6019 2822439.



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Petrochemicals

illuminating the markets

