October 2026

Argus *Olefins Margins*



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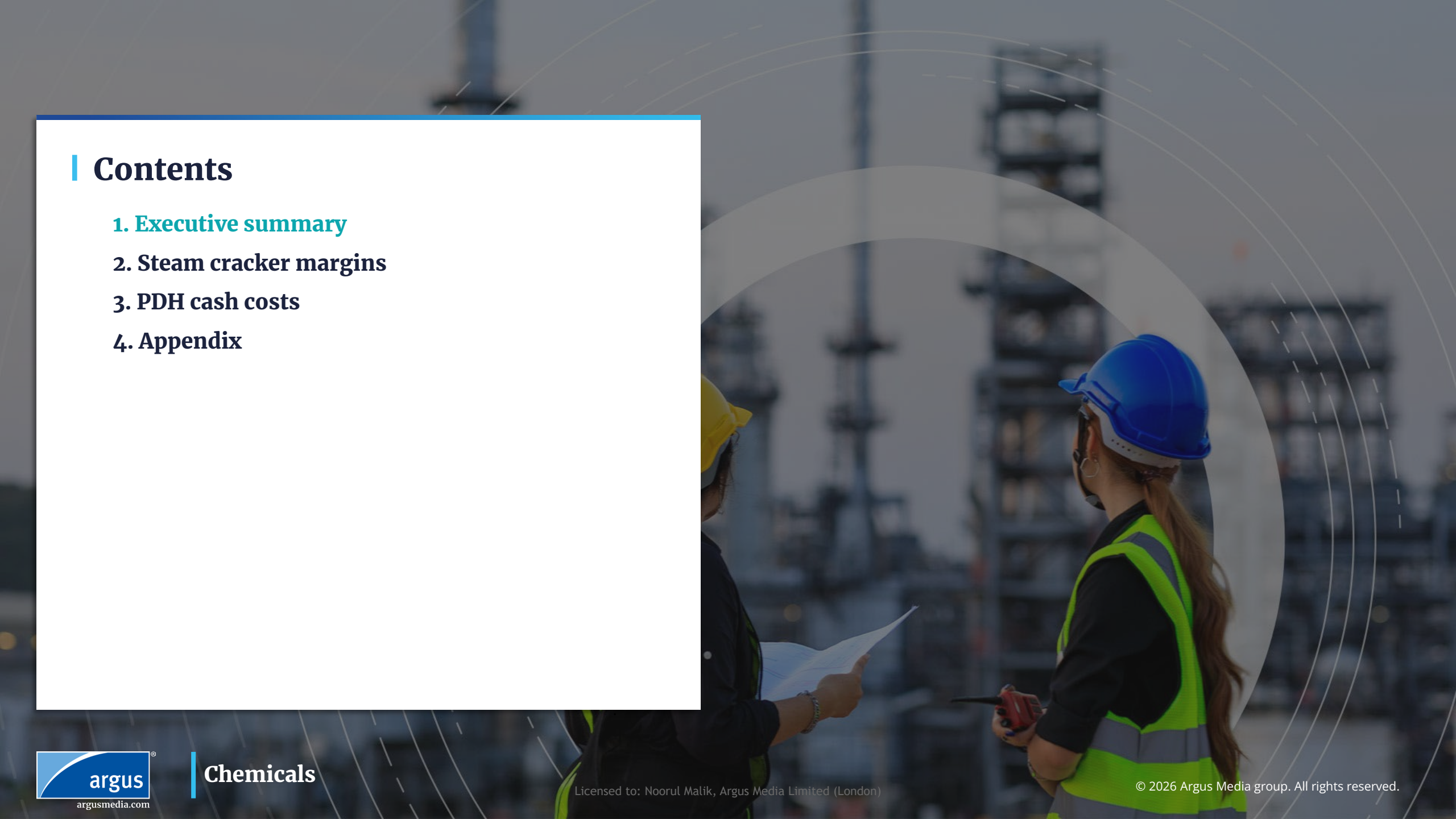

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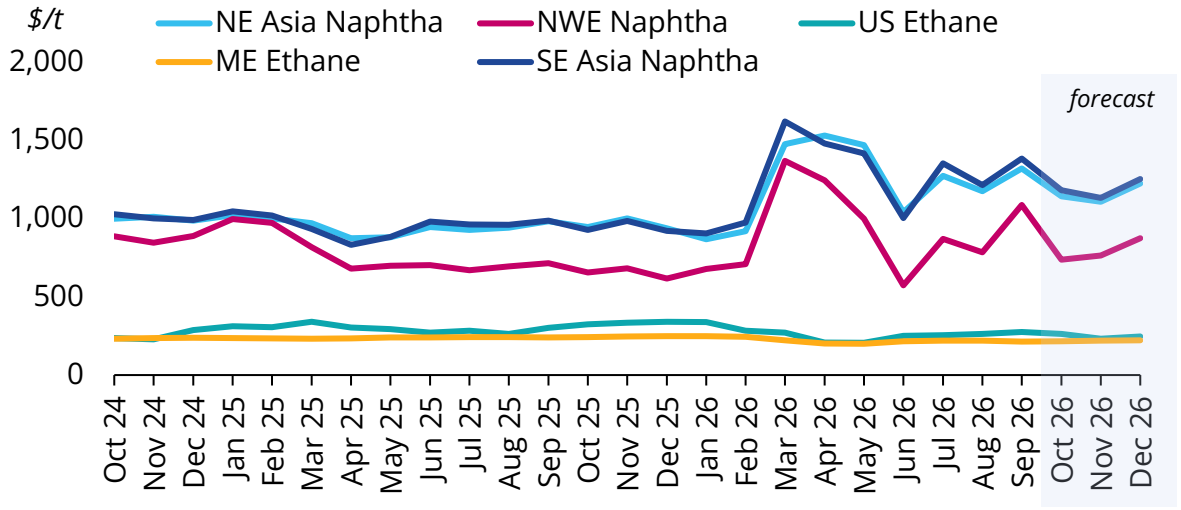
Executive Summary

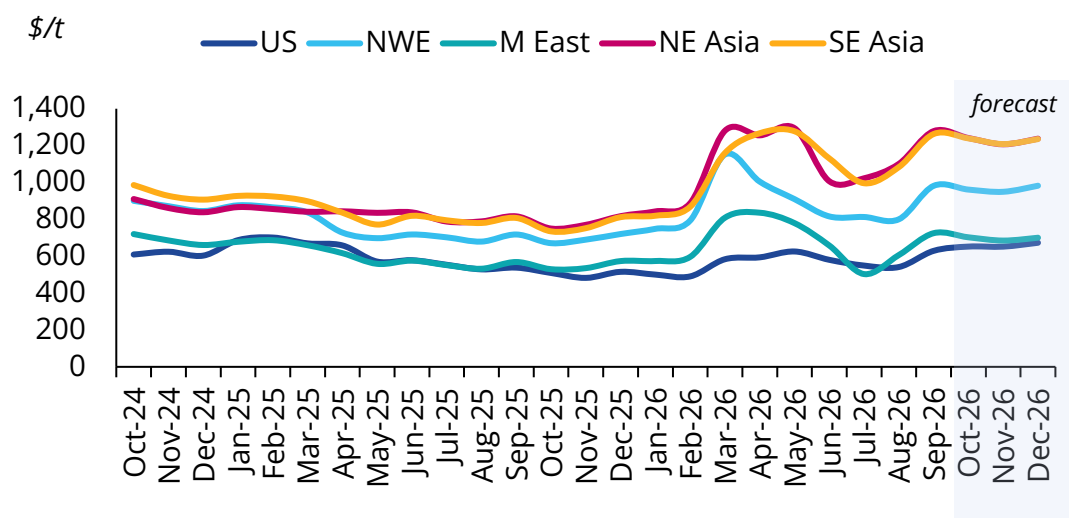
Feedstock costs remain volatile

- **US:** margins are supported by an insulated feedstock market
- **Northwest Europe:** Volatility persists as Middle East ceasefire remains uncertain
- **Asia-Pacific:** Margins remain under pressure from higher feedstock costs and supply risks

Steam cracker cash costs



PDH cash costs



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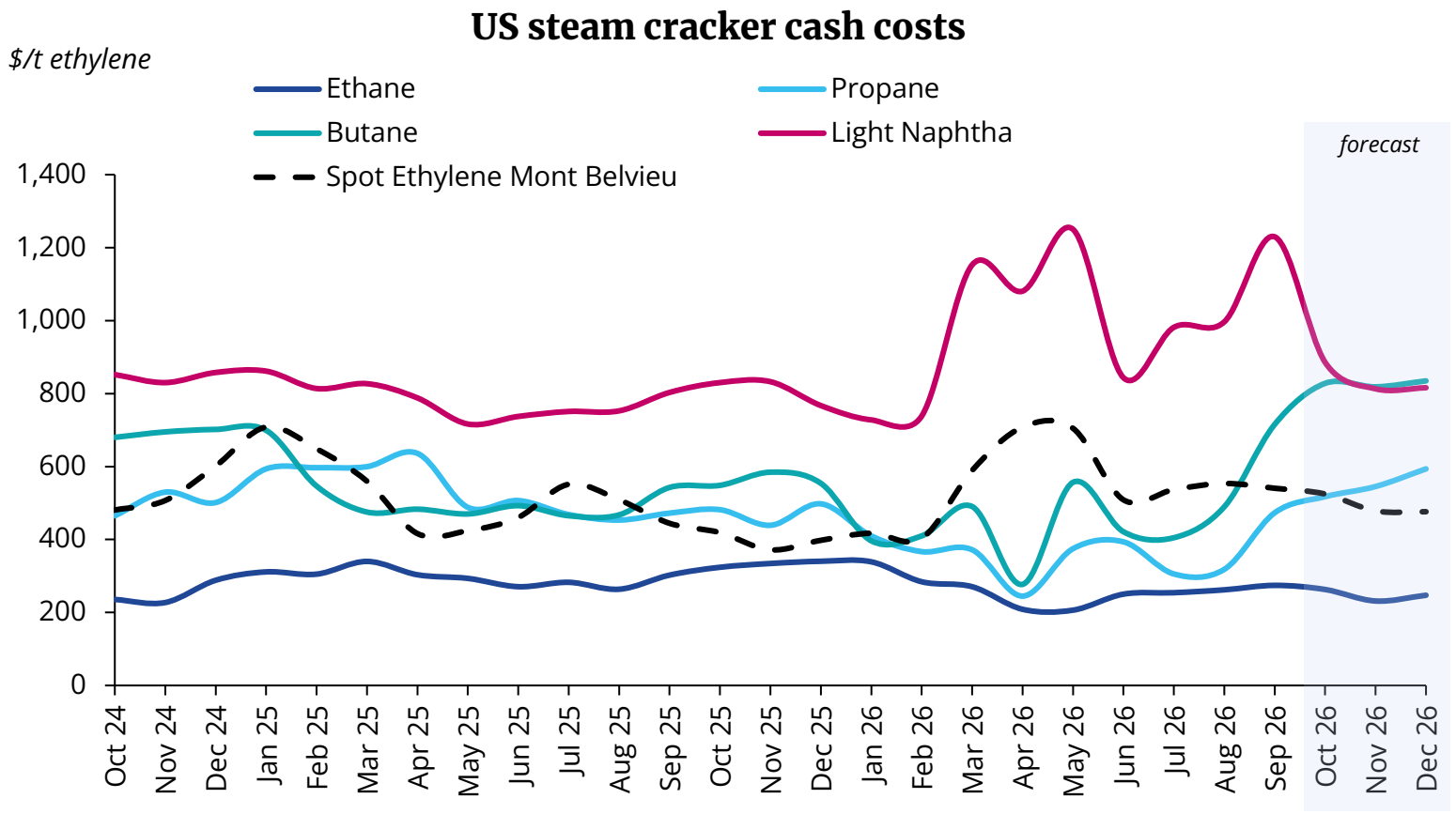
US: Steam cracker cash costs

LPG costs have risen based on both strong domestic and export demand; ethane remains feedstock of choice.



- Winter heating demand has started to build up in September, with both propane and butane costs rising as a result.
- Export demand for propane has also hit new heights, driven in part by the recently expanded Neches River terminal. The terminal has shifted capacity away from ethane exports towards propane, taking advantage of its newly added flexible capacity.
- High freight rates are keeping propane prices depressed compared to international benchmarks.
- Ethane costs remain steady, and much lower than LPG costs. Thus, ethane will remain the feedstock of choice for US cracker operators.

Based on *Argus*' models. See page 16 for assumptions

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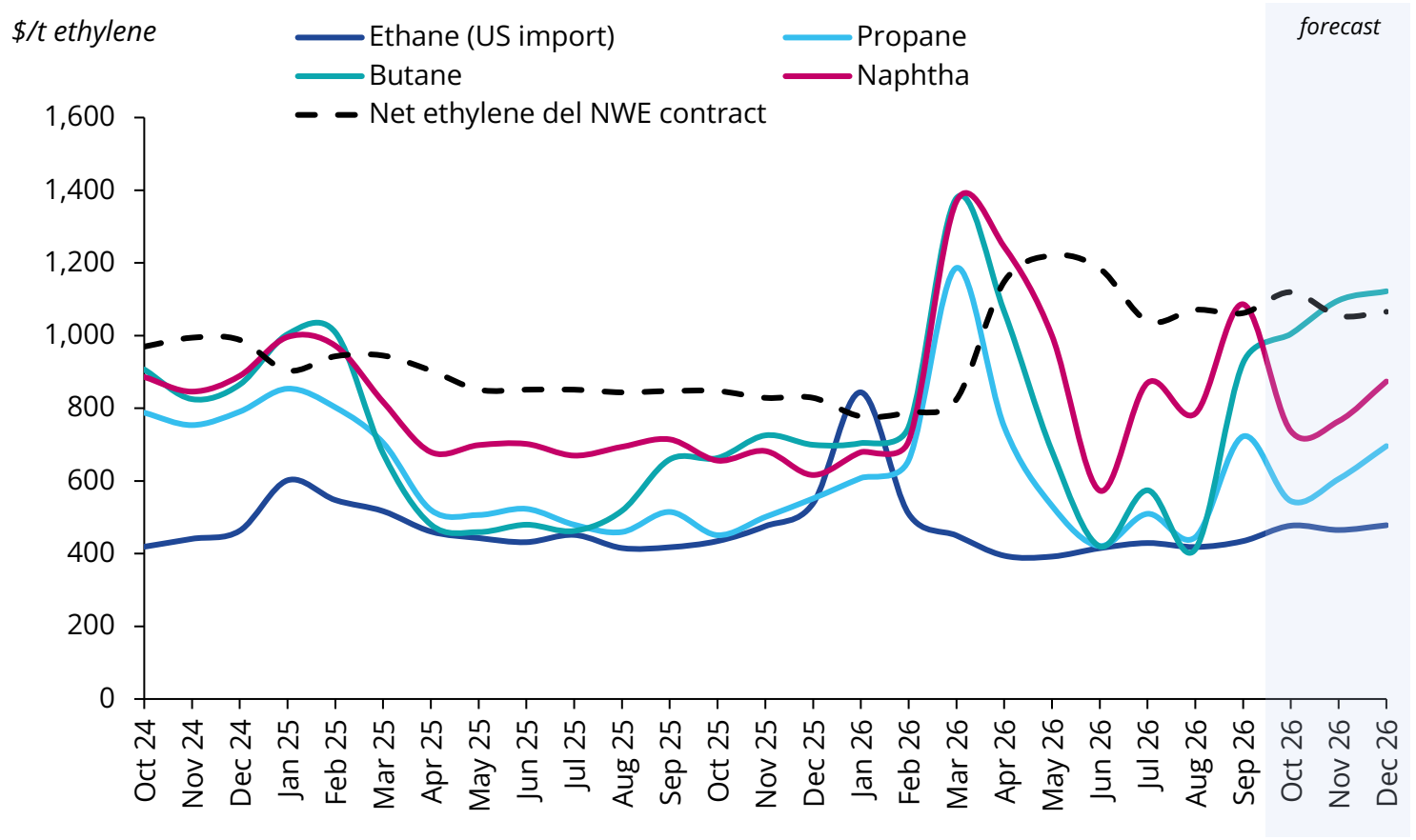
Northwest Europe: Steam cracker cash costs

Cracker margins fall on higher feedstock costs; recovery dependent on lower crude and improved olefins pricing

Northwest Europe steam cracker cash costs



Based on *Argus*' models. See page 16 for assumptions

- Western European modelled cracker margins fell across all feedstocks in September as feedstock costs rose significantly while olefins prices remained broadly flat, pushing naphtha-based margins towards negative territory. The margin compression was driven primarily by higher crude-linked feedstock and utilities costs following ongoing Middle East supply disruptions.
- Margins are expected to recover in October as crude prices ease from September highs, supported by improving crude flows through the Strait of Hormuz and higher contract olefin prices. However, profitability is likely to remain below historical norms given continued structural pressure from elevated energy and feedstock costs.
- LPG cracking economics weakened alongside naphtha in September as propane and butane prices rose sharply, driven by tighter global LPG balances. Looking ahead, propane prices are expected to ease as crude flows through the Strait of Hormuz gradually normalise, reducing the geopolitical risk premium in crude and LPG markets. However, seasonal winter heating demand is expected to keep LPG relatively firm against naphtha, while low butane inventories and gasoline blending demand should provide additional support to butane prices.
- Imported US ethane is expected to remain the most competitive feedstock and the highest-margin cracking option. A relatively stable ethane price outlook, combined with lower exposure to crude-linked volatility, should preserve its cost advantage over both naphtha and LPG through the near term.

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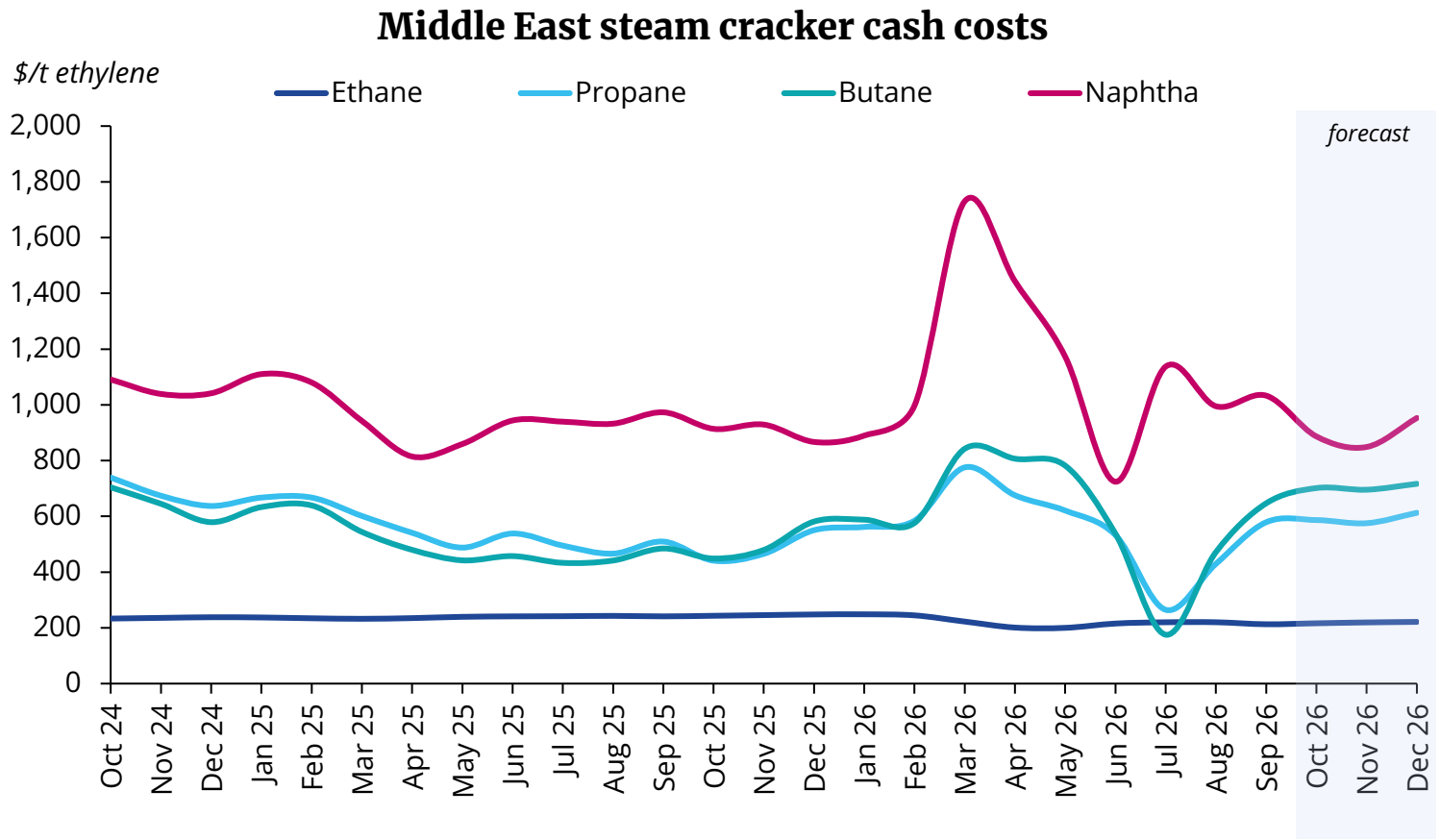
Middle East: Steam cracker cash costs

Primary feedstock ethane costs are stable owing to regulated local supply



- Naphtha and LPG prices are volatile owing to the conflict in the Middle East, but neither feedstock is widely cracked in the region.
- Middle East ethylene prices usually move in line with southeast Asian prices, which are expected to soften in the near term.

Based on *Argus*' models. See page 16 for assumptions

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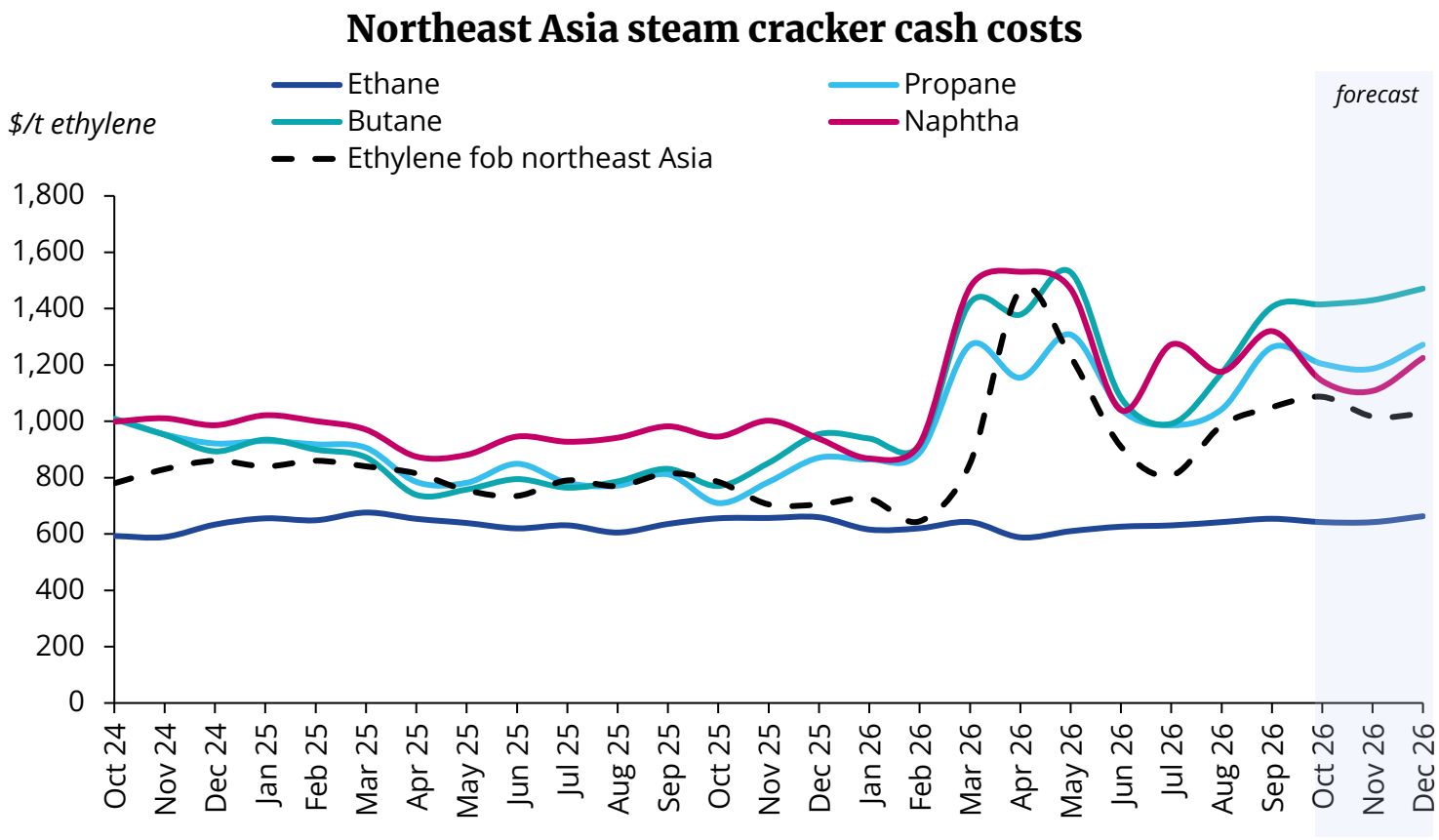
Northeast Asia: Steam cracker cash costs

Cracker margins remain under pressure from higher feedstock costs and supply risks



Based on *Argus*' models. See page 16 for assumptions

- Northeast Asian cracker margins remained under pressure in September, with ethane retaining a significant cost advantage over other feedstocks. Argus-modelled margins declined across most feedstocks in September, except ethane. Although tighter ethylene and co-product supply provided some support to product prices, margins for non-ethane feedstocks remained deeply negative. The ethane margin advantage widened to $480/t in September from $360/t in August.
- Elevated naphtha and LPG costs are expected to constrain cracker margin recovery through year-end. A firm crude oil outlook and persistent supply-side disruption are likely to keep cracker production costs high, while tight LPG fundamentals and stronger winter demand are expected to provide additional support to propane and butane prices. As LPG cracking economics further deteriorate, steam crackers are expected to reduce LPG consumption and shift towards alternative feedstocks where feasible.
- Tighter ethylene supply should provide some offset to elevated cash costs, although margin recovery remains uncertain. Reduced operating rates at several crackers and MTO units, alongside scheduled maintenance in South Korea, are expected to support regional ethylene prices by year end. However, uncertainty in Middle East could still push feedstock prices higher, potentially outweighing gains in product prices and limiting any improvement in cracker margins.

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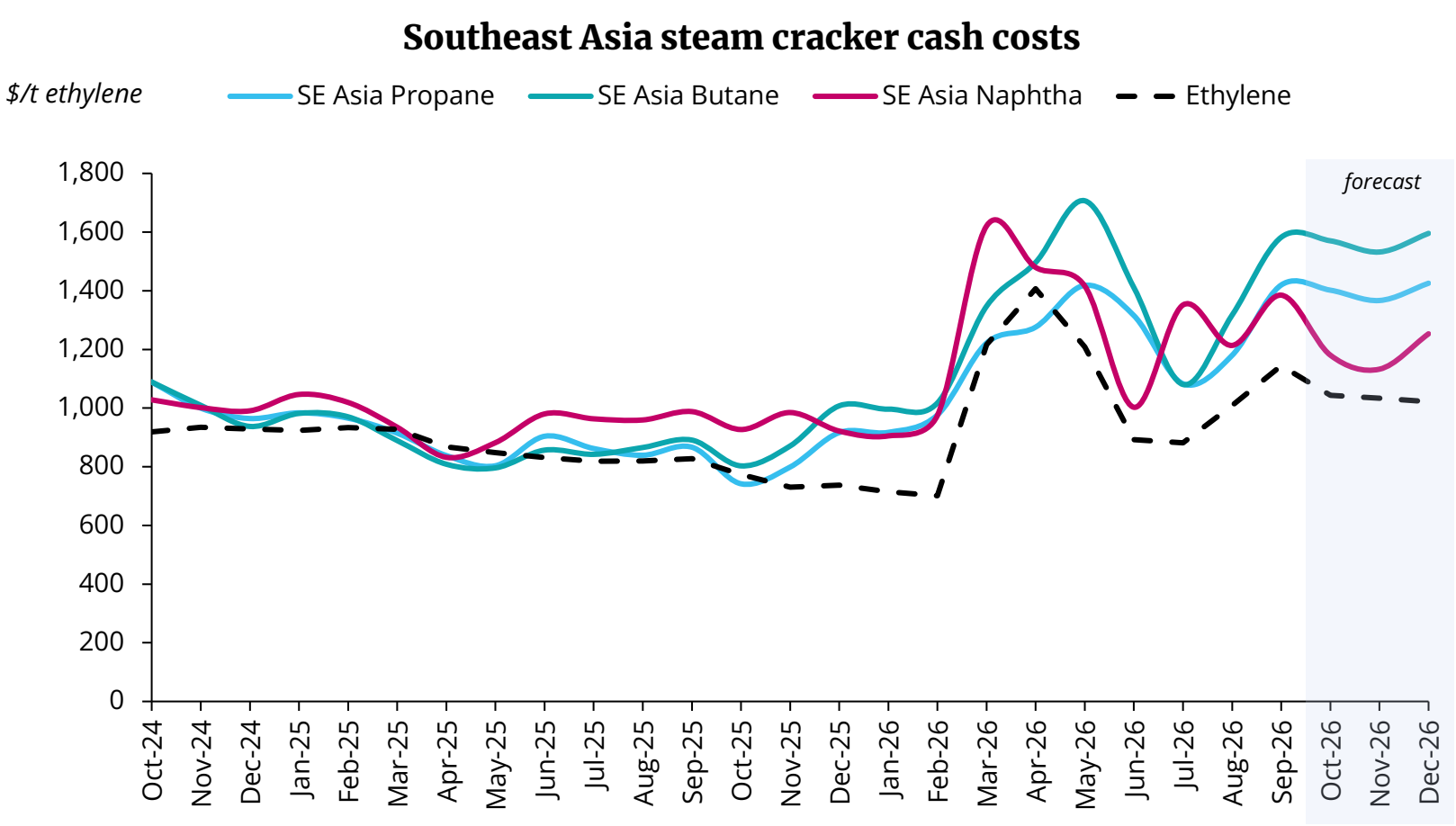
Southeast Asia: Steam cracker cash costs

Cracker margins remain deeply negative because of rising feedstock costs



Based on *Argus*' models. See page 16 for assumptions

- Southeast Asian naphtha cracker margins weakened sharply in September, with Argus-modelled margins falling by 41pc to around -$250/t. The deterioration was primarily driven by higher feedstock costs, as the naphtha crack spread strengthened amid spot purchases by northeast Asian crackers in September and early October. Meanwhile, tighter regional ethylene supply lifted spot ethylene prices by 4pc, although the increase was insufficient to offset rising costs.
- Modelled margins are expected to recover gradually in the fourth quarter as feedstock cost pressure eases while ethylene prices remain supported. Improving Middle Eastern exports are expected to ease feedstock tightness in Asia-Pacific, with naphtha costs forecast to decline by around 10pc in the final quarter from September levels. Meanwhile, continued tightness in regional ethylene supply is expected to underpin prices through year-end.
- However, the margin recovery remains vulnerable to renewed cost pressures and a potential easing in ethylene supply tightness. A resurgence in feedstock prices or cracker restarts could limit the expected improvement in margins.

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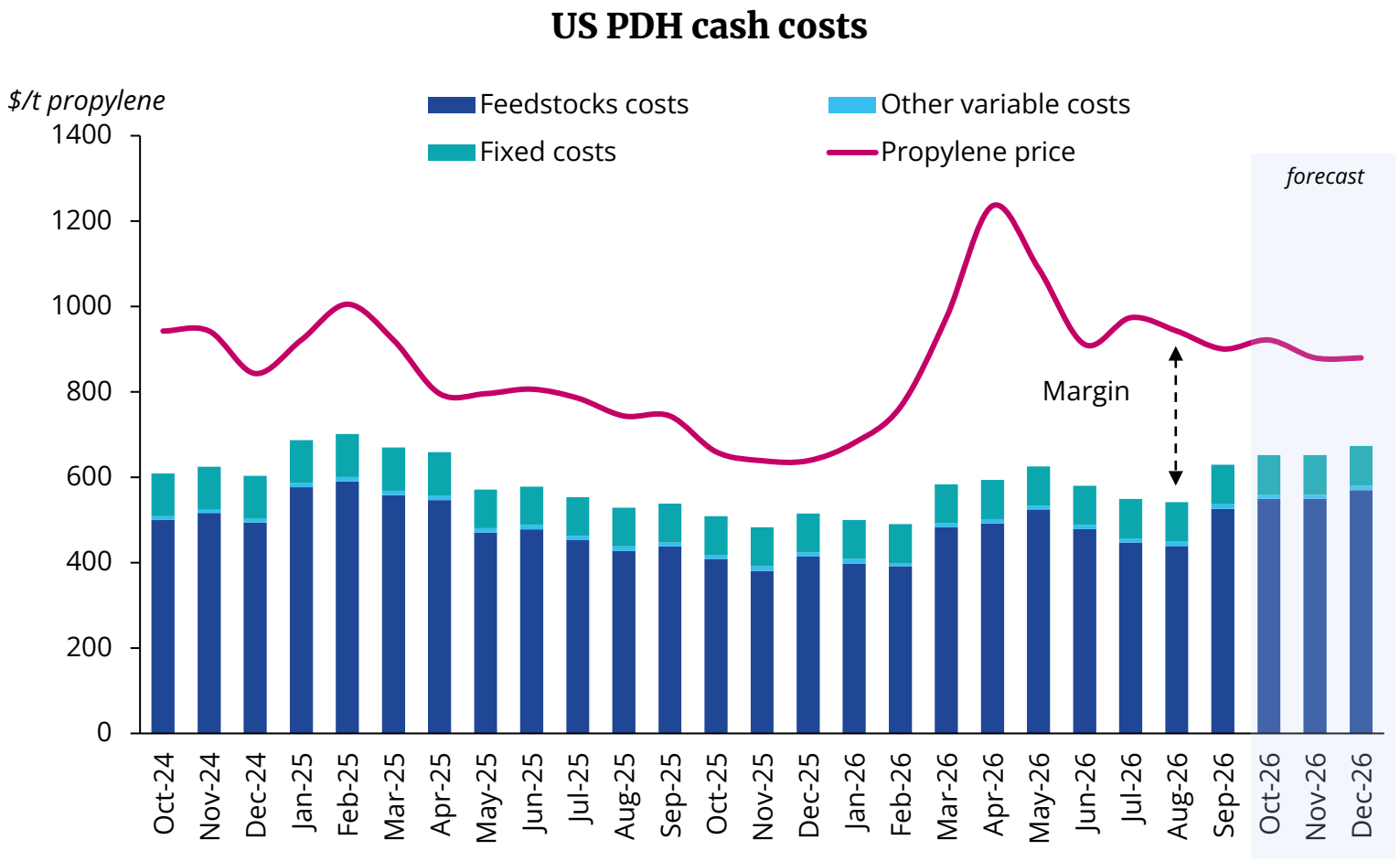
US: PDH

Propane rises in line with typical winter pricing



Based on *Argus*' models. See page 16 for assumptions

- The impact of the Middle East conflict on US propane prices is less pronounced than the rest of the world owing to domestic oversupply and fully utilised export capacity.
- Rising propane costs support propylene price levels, but propylene derivative demand remains insufficient for major margin expansion.
- Stable domestic demand and limited exports have kept the propylene market more balanced than ethylene.

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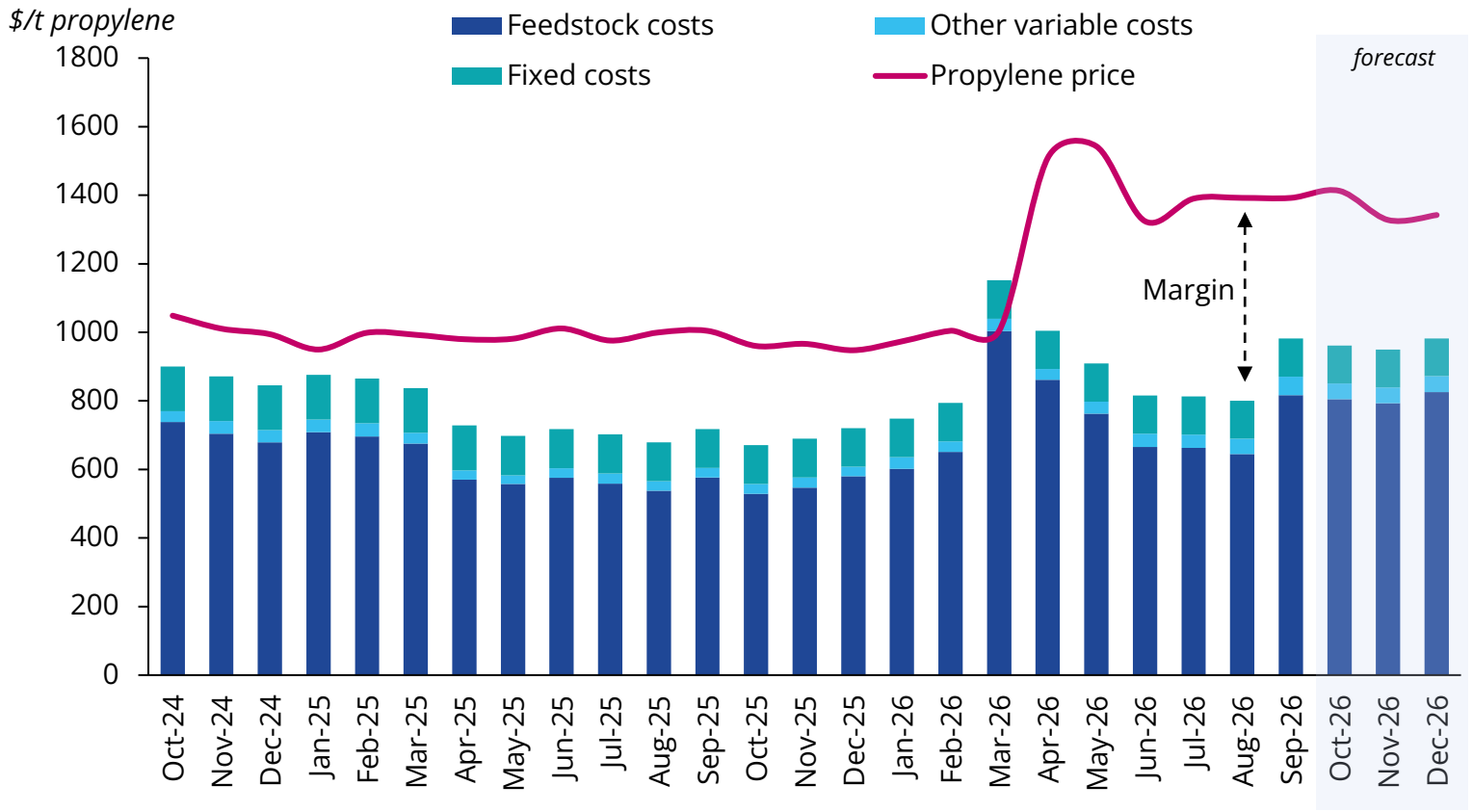
Northwest Europe: PDH

Feedstock volatility from the Middle East conflict continues to pressure margins

Northwest Europe PDH cash costs



Based on *Argus*' models. See page 16 for assumptions

- Propane prices declined since the March spike but are strengthening again as buyers restock ahead of the heating season.
- The long-term impact of the US-Iran conflict on Middle East and Asia-Pacific trade flows remains uncertain, but demand and margins are expected to return to previous levels once global trade flows are re-established.

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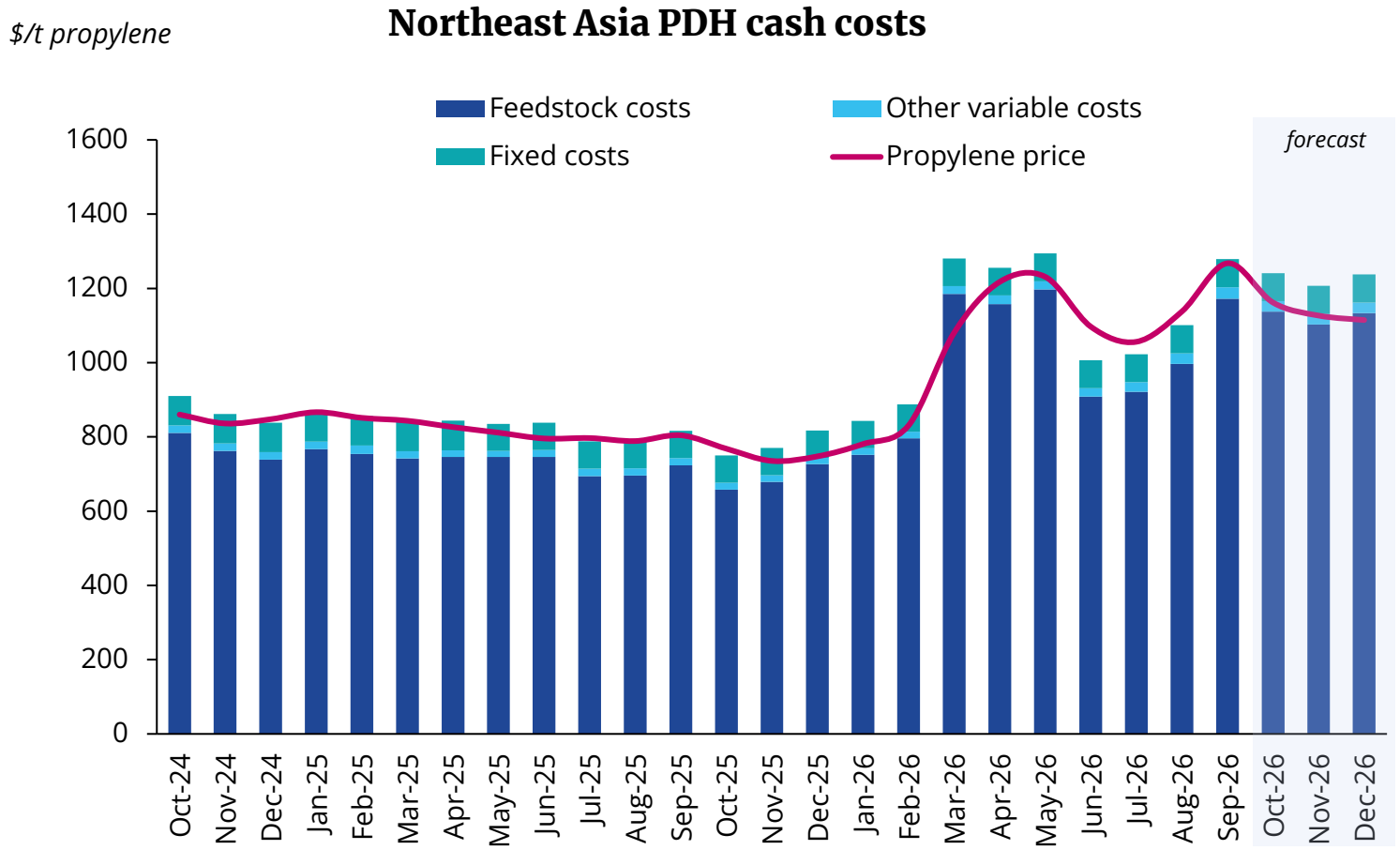
Northeast Asia: PDH

PDH margins turn negative as higher propane costs outweigh propylene prices

Northeast Asia PDH cash costs



Based on *Argus*' models. See page 16 for assumptions

- Regional PDH margins deteriorated in September as rising propane costs outpaced propylene price gains. Argus-modelled PDH cash margins fell to -$11/t in September, down from approximately $90/t in June. Although tight regional supply lifted propylene prices by 8pc in September, propane feedstock costs rose by 18pc from August levels, offsetting the improvement in product prices.
- Persistent propane supply tightness is expected to keep PDH margins under pressure through year-end. Asian propane feedstock prices have rebounded sharply over the past three months following the collapse of the US-Iran ceasefire agreement, as concerns over potential trade disruption have tightened regional availability. Geopolitical uncertainty, constrained supply and stronger seasonal demand during winter are expected to keep propane costs elevated, leaving PDH margins in negative territory in the final quarter.
- Weak economics and feedstock constraints are expected to trigger further run rate cuts despite resilient downstream demand. Although PP demand is still firm on low inventories, PDH run rates in October are forecast to fall from 75pc in September to 60pc in October, as high propane costs and limited feedstock availability weigh on PDH economics.

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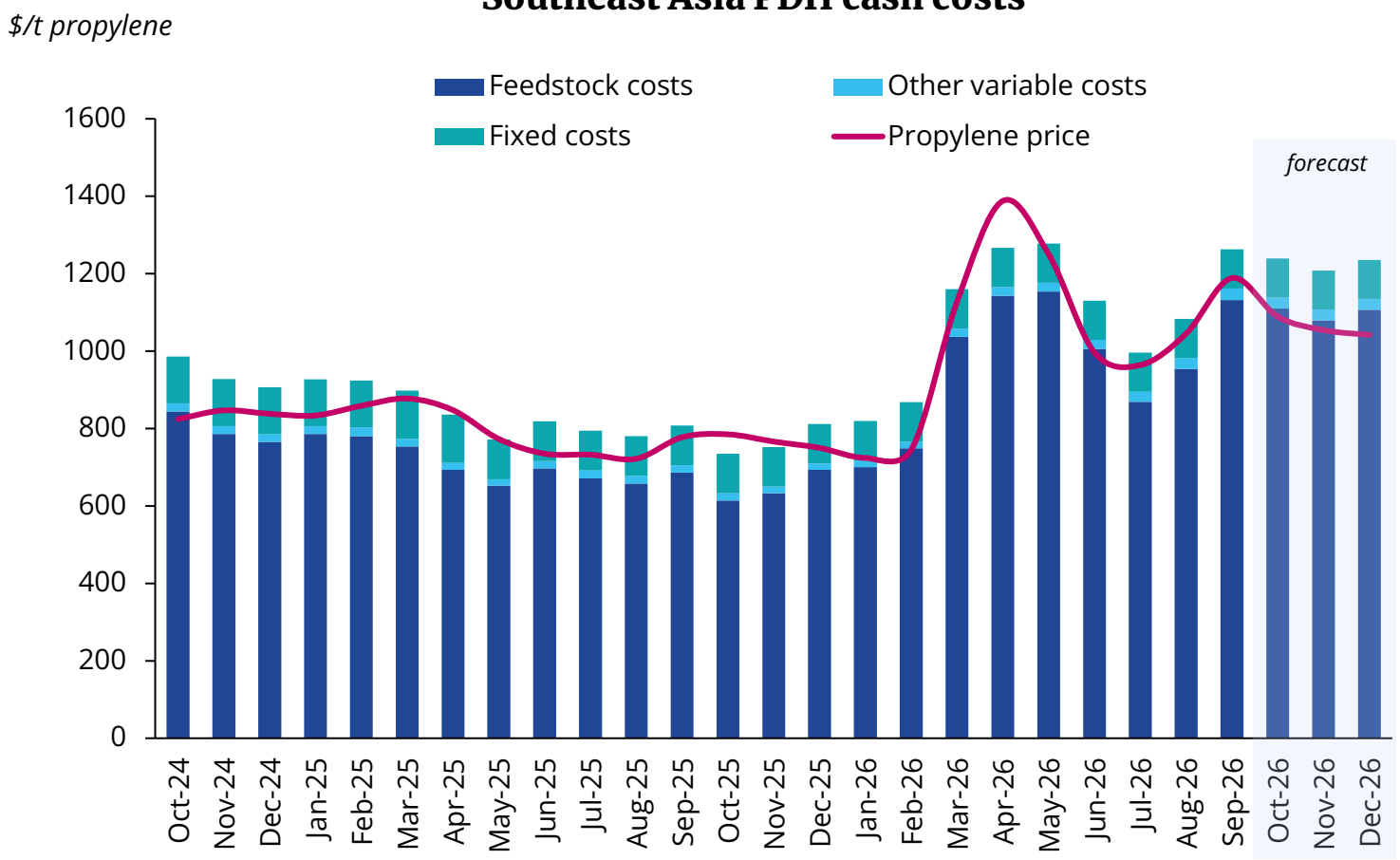
Southeast Asia: PDH

Rising propane costs continue to squeeze PDH margins in the near term

Southeast Asia PDH cash costs



Based on *Argus*' models. See page 16 for assumptions

- Southeast Asian PDH margins remained negative in September as higher propane costs outweighed gains in propylene prices. Although regional propylene prices rose by 14pc from August levels, the increase was insufficient to offset rising feedstock costs, keeping regional economics under pressure.
- Further increases in propane costs are expected to deepen PDH losses through year end. Persistent geopolitical uncertainty, tight supply and seasonal demand associated with winter stockbuilding are likely to keep propane prices elevated. With limited scope for propylene prices to fully offset higher costs, PDH margins are forecasted to decline further into deeply negative territory in the last quarter.
- Southeast Asian PDH producers remain particularly exposed to margin volatility because of their structural dependence on imported feedstocks and limited flexibility to absorb feedstock cost shocks. Any further increase in propane prices, coupled with sluggish downstream demand, could place additional pressure on operating economics.

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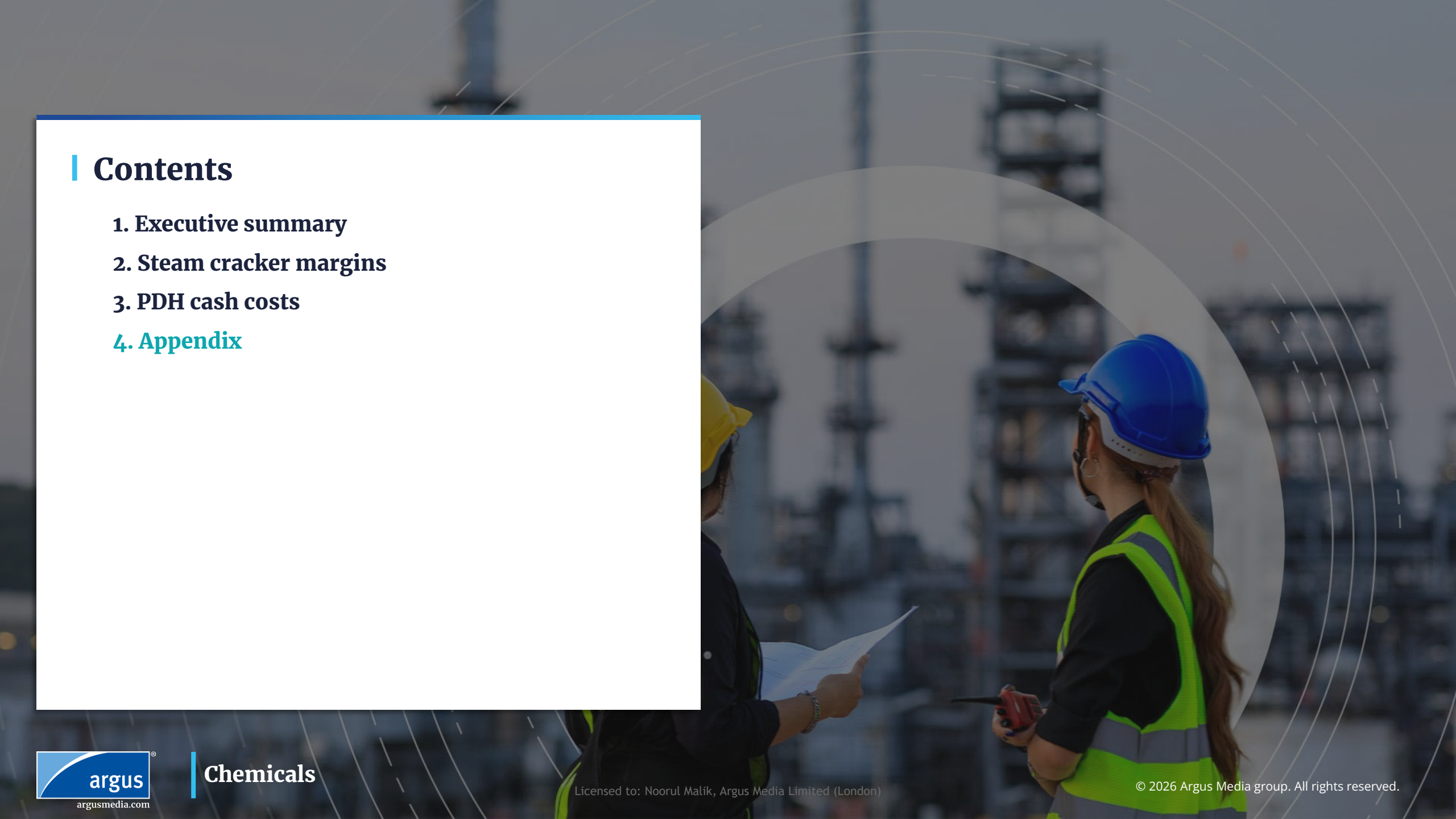

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Assumptions

Argus Western Europe Steam Cracker Model is based on a fully flexible mixed-feed cracker located on the ARG pipeline with nameplate capacity of 500,000 t/yr and fully integrated downstream.

Net product prices are based on monthly contract prices; average discounts are based on market consultation. Pygas modelled as equivalent to 35pc benzene cif NWE contract/65pc naphtha 65 para NWE minus $84/t. Raffinate-1 is taken as 1.1*naphtha 65 para NWE.

Argus US Steam Cracker Model is based on a fully flexible mixed-feed cracker with capacity of 700,000 t/yr located on the Texas grid, fully integrated downstream.

Product prices are based on spot values. US pygas = (0.35 x benzene US Gulf coast $/t) + (0.65 x gasoline 87 conv USGC waterborne fob lowest RVP not 7.8 or 7.0) minus $84/t (the $84/t is a discount). Raffinate-1 is taken as 1.1*naphtha full-range USGC waterborne del.

Argus Northeast Asia Steam Cracker Model is based on a fully flexible mixed-feed coastal Chinese cracker with nameplate capacity of 600,000 t/yr and fully integrated downstream.

Product prices are based on spot values. Pygas modelled as equivalent to 35pc benzene fob South Korea/65pc naphtha Japan c+f minus $70/t. Raffinate-1 is taken as 1.1*naphtha Japan c+f.

Argus Middle East Steam Cracker Model is based on a fully flexible mixed-feed cracker with capacity of 1mn t/yr.

Product prices are assumptions calculated based on spot values for Europe and Asia. Pygas modelled as equivalent to 35pc benzene/65pc naphtha minus $70/t. Raffinate-1 is taken as 1.1*naphtha LR1 Mideast Gulf fob.

Argus Southeast Asia Steam Cracker Model is based on a fully flexible mixed-feed cracker with capacity of 800,000 t/yr.

Product prices are based on spot values. Pygas modelled as equivalent to 35pc benzene/65pc naphtha minus $70/t. Raffinate-1 is taken as 1.1*naphtha Singapore fob.

Argus Western Europe PDH Model is based on a 450,000 t/yr PDH unit.

Propane price assumption is ARA large cargo.

Propylene price assumption is PGP contract; average discount is based on market consultation.

Argus US PDH Model is based on a 750,000 t/yr PDH unit.

Propane price assumption is Mt Belvieu Enterprise.

Propylene price assumption is PGP contract; average discount is based on market consultation.

Argus Northeast Asia PDH Model is based on a 600,000 t/yr PDH unit.

Propane price assumption is based on ANI price.

Propylene price assumption is ex-tank east China domestic price.

Argus Middle East PDH Model is based on a 450,000 t/yr PDH unit.

Propane price assumption is based on discounted AFEI price.

Argus Southeast Asia PDH Model is based on a 600,000 t/yr PDH unit.

Propane price assumption is based on AFEI price.

Propylene price assumption is PGP cfr.

For full details, download:

Reference and Modelling Approach

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Contact us



craig.barry@argusmedia.com

Craig Barry

Lead Consultant, Ethylene and Derivatives

Craig leads the global ethylene team, focused on integrated global forecasts. He has more than 30 years of experience in the olefins industry, including with Dow Chemical and ExxonMobil. Throughout his career, Craig has worked across the world with major olefins and derivative producers. His experience includes olefins feedstocks and refinery integration within the petrochemical industry. He holds a chemical engineering degree from Ohio State University and an MBA from Rice University in Houston, Texas.



dhanish.kalayarasu@argusmedia.com

Dhanish Kalayarasu

Manager, Chemicals

Dhanish is a manager in the London consulting office, focusing mainly on olefins, polyolefins and chlor-alkali. He earned a degree in chemical engineering from the University of Newcastle and an MSc in finance analytics from King's College London. He has held roles in power generation, project management, agriculture and analytics. He also spent time at an edible oil refinery managing operations and projects with high-pressure biomass boilers, steam turbines, water treatment and fuel management.



sarah.rae@argusmedia.com

Sarah Rae

Vice-President, Propylene and Derivatives

Sarah Rae is *Argus*' propylene consultant, focusing primarily on Europe and the Middle East. For 17 years before joining *Argus*, Sarah held senior strategic purchasing management positions at Ineos, Tessenderlo Chemie and Rhodia, responsible for a wide range of materials including olefins, fertilizers and commodity raw materials. Before this, Sarah held various management and project roles covering most aspects of the chemical business, including business management, sales, planning and logistics. She graduated with a degree in geology from Leicester University.



josie.jiang@argusmedia.com

Josie Jiang

Senior Analyst, Olefins and Polyolefins

Josie is a senior analyst in Shanghai focused on the olefins and polyolefins markets. Her previous roles include market analyst at Pacific Gas in the strategic department, focusing on the LPG, ethane, shipping and financial markets. A chartered financial analyst, Josie holds a bachelor's degree in economics and a master's degree in finance and investment from the University of Bristol.

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Lacon House, 84 Theobald's Road, London, WC1X 8NL
Tel: +44 20 7780 4200
Email: Sales@argusmedia.com

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Chief commercial manager
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President, oil
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EVP, expansion sectors
Tim Cheyne

Consulting Services, SVP
Lloyd Thomas

SVP Chemicals
Chuck Venezia

Customer support and sales

Technical queries
technicalsupport@argusmedia.com
All other queries
support@argusmedia.com

London, UK Tel: +44 20 7780 4200
Houston, US Tel: +1 713 968 0000
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