Argus *Benzene Daily*

Formerly Argus DeWitt Benzene Daily

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HIGHLIGHTS

Americas

US benzene prices were largely steady, while styrene prices fell slightly alongside European values.

Europe

Benzene weakened on Friday as the upstream crude market faltered. Styrene edged lower as feedstock benzene fell.

Asia Pacific

Benzene continued to edge down in line with overseas markets. Styrene monomer fell as buying pressure eased.

MARKET SNAPSHOT

Key prices

	Timing	Price	±
Americas			
Benzene ddp Houston/Texas City *¢/USG*	Jan	237.00	0.00
	MTD avg	238.09	-0.08
Benzene fob USGC *¢/USG*	Jan	238.00	0.00
	MTD avg	239.02	-0.08
Benzene ddp Lower Mississippi River *¢/USG*	Jan	240.50	0.00
	MTD avg	240.43	0.01
Styrene fob USGC *¢/lb*	Jan	43.09-44.00	-0.45
	MTD avg	41.74	0.14
Europe			
Benzene cif ARA *$/t*	Jan	755.00	-35.00
	MTD avg	786	-2.24
	Feb	694.00	-8.00
Styrene fob Rotterdam *$/t*	Jan	1,067.50	-2.50
	Feb	1,046.00	1.00
Asia-Pacific			
Benzene fob South Korea *$/t*	Feb	645.50	-5.50
	Mar	650.50	-0.50
	marker	648.00	-3.00
Styrene cfr east China *$/t*	Jan	920.00	-12.50
	Feb	930.00	-12.50
	marker	925.00	-12.50

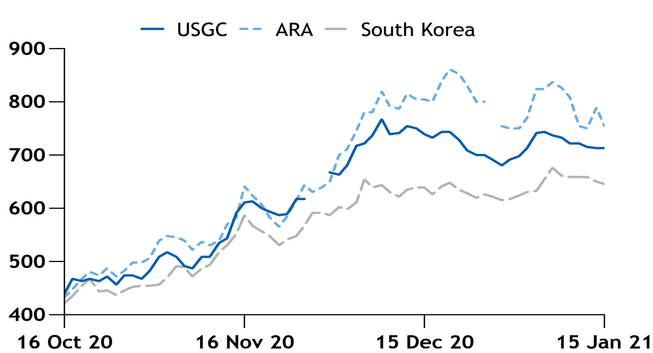
Associated markets

	Timing	Price	±
North Sea Dated *$/bl*		54.360	-0.770
Nymex front-month WTI *$/bl*	Feb	52.360	-1.210
Nymex natural gas *$/mn Btu*	Feb	2.737	0.071

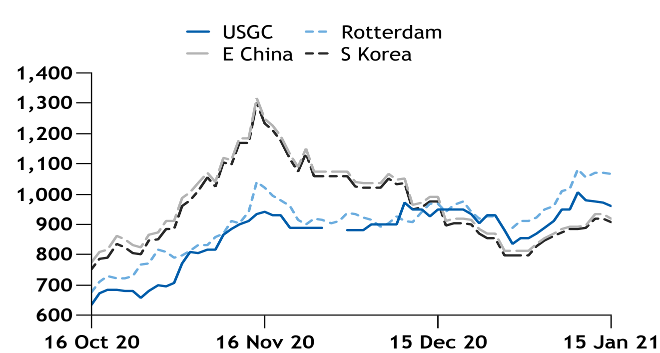
Global spreads

	Timing	Price	±
ARA benzene premium to NWE naphtha *$/t*	Jan	254.25	-34.00
S Korea benzene premium to Japan naphtha *$/t*	Feb	115.75	-8.88
USGC benzene premium to USGC gasoline *¢/USG*	Jan	87.28	3.17

Global benzene prices *$/t*



Global styrene prices *$/t*



Americas

January ddp benzene prices were steady but are facing downward pressure from lower Nymex WTI and European values.

The benzene arbitrage is open on paper from South Korea, and imports are expected to increase in February, balancing benzene supply.

Domestic supply is rising from refinery reformer units, but narrower margins at TDP units are putting pressure to lower operating rates.

January ddp benzene was bid at 235¢/USG against offers at 239¢/USG.

February ddp benzene fell by 1¢/USG, with bids and offers discussed on either side of 235¢/USG. First-half February ddp benzene was discussed at a 1¢/USG premium to any-February.

March ddp benzene was steady, discussed on either side of 236¢/USG. April ddp benzene was steady in discussions.

January and February styrene weakened in discussions alongside lower values in Europe. January and February styrene was discussed at $950-970/t. Slightly lower spot ethylene prices would help support styrene margins, but styrene demand is expected to remain steady to softer in February, which could put pressure on operators to lower rates.

January styrene is largely sold out, with February spot supply also described as tight.

US benzene prices *¢/UCG*

	Timing	Low	High	VWA	±
ddp Houston/Texas City					
	Jan	235.000	239.000	237.000	0.000
	WTD avg			238.500	-0.375
	MTD avg			238.095	-0.084
	Feb	234.500	235.500	235.000	-1.000
	Mar	235.500	236.500	236.000	0.000
fob USGC					
	Jan	236.500	239.500	238.000	0.000
	WTD avg			239.500	-0.375
	MTD avg			239.024	-0.078
	Feb	235.500	238.500	237.000	-1.000
ddp Lower Mississippi River					
	Jan	238.000	243.000	240.500	0.000
	WTD avg			238.500	-0.375
	MTD avg			240.429	0.006
	Feb	234.000	243.000	238.500	-0.500

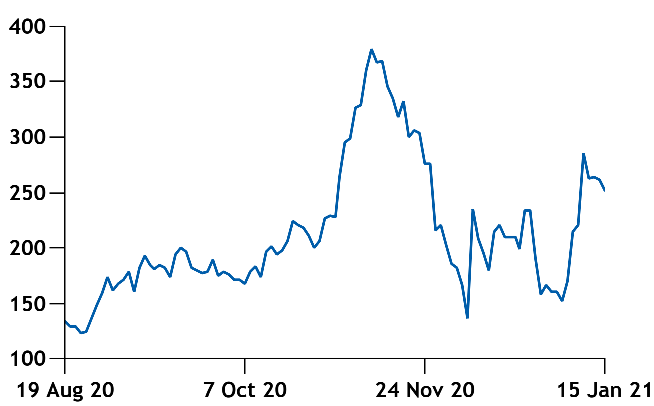
US styrene prices *¢/lb*

	Timing	Price	±
fob USGC	Jan	43.09-44	-0.455
	WTD avg	44.36	-0.204
	MTD avg	41.74	0.140
	Feb	43.09-44	0.000

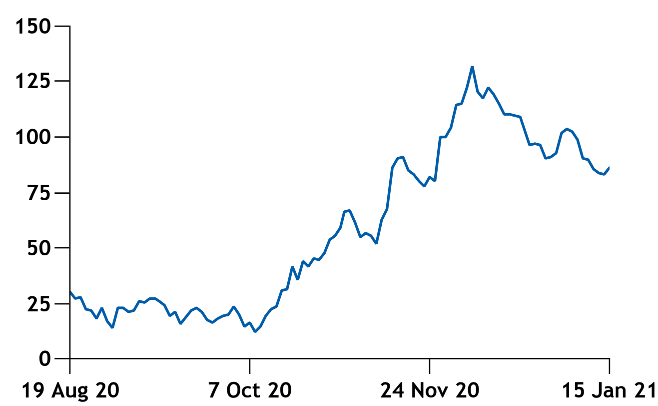
Related markets

	Timing	Price	±
Nymex natural gas *$/mn Btu*	Feb	2.737	0.071
Nymex front-month WTI *$/bl*	Feb	52.360	-1.210
Gasoline 87 USGC 5-day avg *¢/USG*		153.380	1.580

Daily spot styrene-benzene spread *$/t*



USGC: Benzene premium to gasoline 87M *¢/USG*



Europe

Benzene declined on Friday following falls in the upstream energy markets.

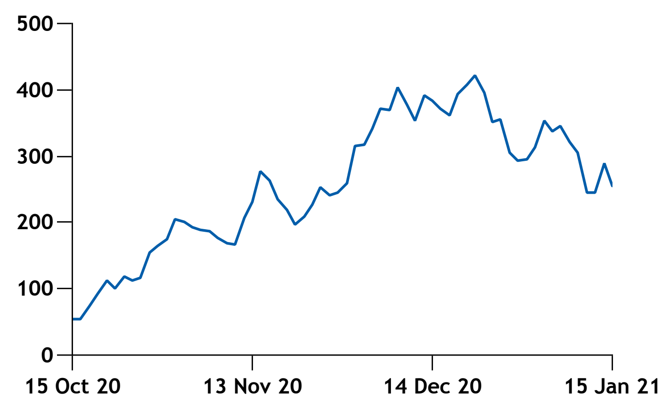
January discussions were limited early on, with bid-offer ranges only emerging in the afternoon at $720-790/t. Wide gaps between buyers and sellers made deals hard to conclude. February bids started the morning at $670/t and held steady throughout the day despite offers easing from $720/t to $715/t.

Prompt styrene edged lower as feedstock benzene weakened.

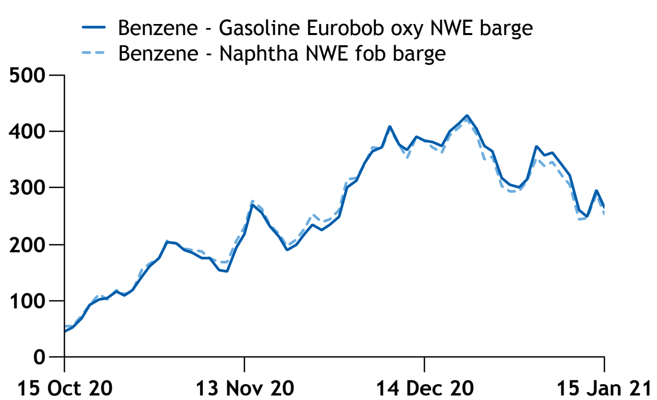
Bids opened at $1,040/t for January and $1,025/t for February but offers were scarce. Selling interest only emerged in the afternoon at $1,100/t and $1,070/t for January and February respectively as bids declined by $5-10/t. The market backwardation was mostly discussed at $20-25/t, slightly below the previous day's $25/t.

European prices			
	Timing	Price	±
Benzene			
cif ARA *$/t*	Jan	755.000	-35.000
	WTD	771.500	-4.130
	wk avg, 15 Jan	771.500	-45.200
	MTD	786.400	-2.240
	month avg	757.140	209.120
	Feb	694.000	-8.000
Styrene			
Styrene fob Rotterdam *$/t*	Jan	1,067.500	-2.500
	Feb	1,046.000	1.000
Related markets			
North Sea Dated *$/bl*		54.360	-0.770
Naphtha NWE fob barge *$/t*		500.750	-1.000
NBP natural gas *$/mn Btu*	Feb	7.980	-0.607
Eurobob NWE 5-day avg *$/t*		492.200	3.700

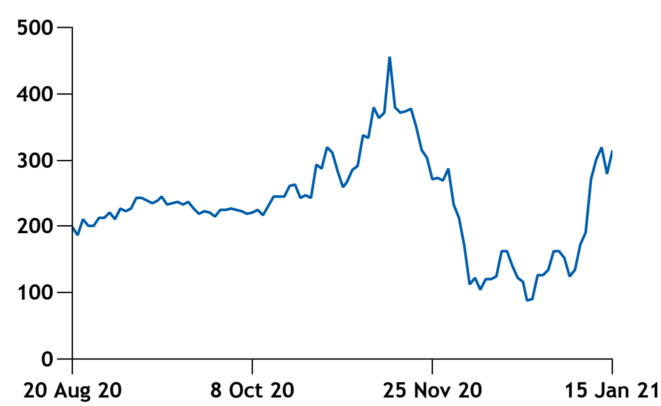
ARA benzene premium to NWE naphtha $/t



European benzene vs gasoline and naphtha $/t



Daily spot styrene-benzene spread $/t



Asia Pacific

The Asian benzene market was slightly lower in line with the downward track in the European and US markets this week.

The market direction also turned murky. The first-half February and second-half February intermonth spread was bid at $6/t in backwardation, even as the second-half February and March intermonth spread was offered at $5/t in contango. Prices for March were little changed at $649-652/t fob South Korea.

The cfr China market remained quiet as a lack of arbitrage value drove liquidity away. China's domestic market was also little changed, with prices settling at 4,530-4,590 yuan/t.

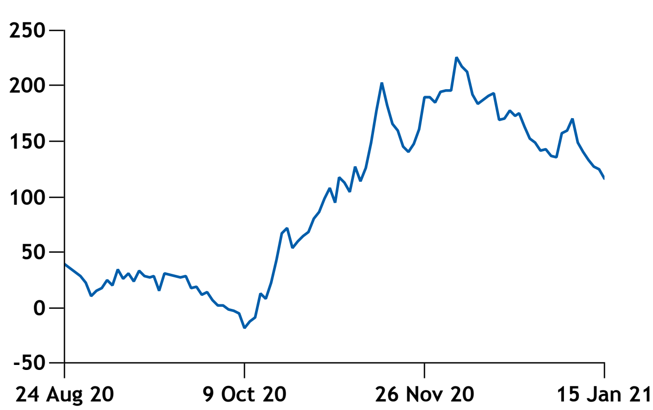
Prices for styrene monomer (SM) on a cfr China basis fell, even as China's domestic market rebounded in today's trading session. Buying interest on a cfr China basis cooled with bids for February arrival decreasing to $920/t, while the offer was only slightly lower at $940/t cfr China.

China's domestic market recouped losses from the previous session as prices gained by Yn90/t today to Yn6,750-6,850/t, or $912/t on an import parity basis, but remained lower than cfr China prices.

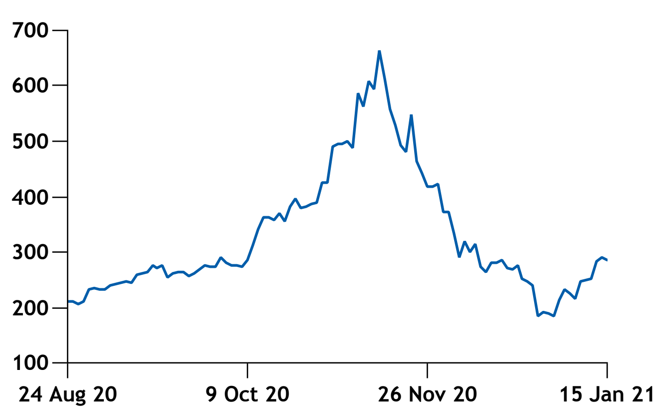
Asia-Pacific prices

	Timing	Price	±
Benzene			
fob South Korea *$/t*	Feb	644-647	-5.50
	Mar	649-652	-0.50
	marker	648	-3.00
cfr China *$/t*	prompt	640-660	0.00
cfr China month avg *$/t*	prompt	588-614	75.42
Sinopec China ex-works *yuan/t*	prompt	4,650	0.00
Sinopec China ex-works *$/t*	prompt	623	-0.51
East China ex-tank *yuan/t*	prompt	4,530-4,590	-5.00
East China ex-tank *$/t*	prompt	607-615	-1.17
Styrene			
cfr east China *$/t*	Jan	910-930	-12.50
	Feb	920-940	-12.50
	marker	925	-12.50
fob South Korea *$/t*	Jan	905-910	-10.00
	Feb	905-910	-10.00
	marker	908	-10.00
China dom ex-tank *yuan/t*	prompt	6,750-6,800	65.00
China dom ex-tank *$/t*	prompt	904-910	+7.97
Related markets			
Naphtha Japan c+f *$/t*		529.75	0.45
Gasoline 92r Singapore *$/bl*		59.25	-0.80
Naphtha fob India *$/t*		536.15	2.77
Dubai front month *$/bl*	Mar	55.33	-0.36

S Korea benzene premium to Japan cfr naphtha *$/t*



cfr east China styrene-fob South Korea benzene *$/t*



AROMATICS NEWS

CNOOC plans Huizhou refinery turnaround

Chinese state-owned refiner CNOOC is planning a turnaround at its flagship 440,000 b/d Huizhou refinery in February-April, market participants said.

CNOOC will carry out the scheduled turnaround at a 200,000 b/d crude distillation unit (CDU) from late February until April, traders said, although this could not be confirmed with the company. Downstream units including a reformer, hydrotreater and fluid catalytic cracker are expected to be taken off line as well.

CNOOC is a key exporter of gasoline and gasoil, most of which heads to southeast Asia. It has so far sold about two 295,000 bl medium range (MR) cargoes of gasoline through spot tenders for loading in January, after selling four MR cargoes (38,000 b/d) for December 2020 loading.

Gasoline offers from the refiner are likely to slow in February because of the shutdown, although the impact could be offset by a rise in offers from private-sector Rongsheng's 800,000 b/d ZPC refinery. The Chinese government recently awarded a 2mn t export quota under general trade terms to ZPC. Most of its exports are likely to be gasoline, traders said.

CNOOC is due to sell a 35,000t 92R non-oxy gasoline cargo for 20-21 February loading. The shutdown will have a bigger impact on the non-oxygenated market after the refiner changed its gasoline specifications.

The Huizhou refinery can produce around 71,000 b/d of gasoline, 152,000 b/d of diesel and 52,000 b/d of jet fuel at full capacity.

By Aldric Chew

US ethylene prices ease on cracker restarts

US spot ethylene prices fell for the first time since early November this week as three US crackers returned to full operations.

Nova ethylene prices at Mont Belvieu, Texas, fell 1.5¢/lb to 42.75¢/lb yesterday from their six-year peak of 44.25¢/lb the week prior.

ExxonMobil's 1.14mn t/yr BOP-X cracker in Baytown, Texas, returned to service over the weekend after an operational issue on 8 January. Shell's 835,000 t/yr mixed-feed cracker in Deer Park, Texas, returned to service after a process upset on 6 January. CP Chem's 295,000 t/yr ethane cracker in Sweeny, Texas, also returned to service after significant downtime.

The lower prices accompanied a slowdown in volumes traded, with 50mn lbs traded last week versus only 11mn lbs transacted this week-to-date.

Market participants are expecting more downward pressure on spot prices when Formosa's 1.25mn t/yr ethane cracker in Point Comfort, Texas, returns to service. The possible restart target for that cracker is next week. Formosa's 771,000 t/yr Olefins-I cracker in Point Comfort has been on extended turnaround since 1 April 2020 and is expected to return to service by the end of the first quarter of 2021.

By Michael Camarda

China lockdowns trigger fresh run cuts

Refineries in north China are cutting crude runs as government lockdowns hit fuel demand.

Sinopec's 270,000 b/d Yanshan and 160,000 b/d Shijiazhuang refineries are cutting runs following a resurgence of Covid-19 cases in Hebei province believed to have originated in Hebei's capital, Shijiazhuang. "At least half of local refineries are also cutting production," one independent refinery official in Shandong said. Independents' run cuts may be as deep as those implemented a year earlier, when the pandemic first struck, he said.

The imposition of lockdowns in the cities Shijiazhuang, Xingtai and Langfang is putting pressure on gasoline sales. But diesel markets have been hit far harder, with the latest restrictions exacerbating seasonal weakening of fuel demand from the construction sector. Spot diesel prices have risen by just 26¢/bl in the past week, squeezing crack spreads to below $4/bl. Some independent refiners are, unusually, losing money on diesel sales presently, they said.

Hebei — the province surrounding Beijing — accounts for 20-30pc of Shandong independent refinery fuel sales and wholesalers in Hebei are responsible for marketing around half that volume to other provinces. But Dongying and other cities in north Shandong, where many independent refineries are clustered, have barred vehicles from cities under lockdown from entering to load fuel, reducing sales. Trucks from unaffected cities in Hebei continue to be allowed into Dongying.

Road passenger volumes — an indicator of demand for fuels, especially gasoline — usually rise by over 20pc during the lunar new year period compared with a month earlier, national bureau of statistics data indicate. But China's central government, desperate to contain the outbreak, has called on citizens not to travel during mid-February's holiday. Local governments are subsidising migrant workers to encourage them not to return home next month. In Beijing, companies have been ordered to double or treble wages, to discourage workers from taking leave. In Jiangsu, employers are boosting pay by Yn100-500/day ($15.43-77.16/day).

The coronavirus is again fostering a preference for personal over public transport, but gasoline price gains have been only modest. Spot 92 Ron gasoline prices in Shandong rose by $1.77/bl during 8-15 January to $57.30/bl.

Many refiners have become downbeat about the prospect for sales as freezing temperatures have brought snow to regions of China this year that rarely receive it. But the drop in north China temperatures to multi-year lows — it is around -9°C in northeast Dalian — has caused an expansion of sea ice that is slowing the loading of vessels from Liaoning refineries Hengli, Baolai and Haoye in Liaoning province to markets in the Yangtze river delta. This has pushed up the cost of shipping fuel around the coast to $170/t and boosted spot gasoline prices in east China by more than $4/bl to $65.85/bl.

Liaoning refiners have poached much of the market in east China formerly supplied by Shandong independents. The former have far larger storage tanks, giving them flexibility to pre-sell two or three months' of product and ship it around the coast from storage as required. Shandong refiners may now be able to move back into any gap left by tighter supply from Liaoning, but many are set up to supply fuel by truck and have poor access to port infrastructure.

Total quits API citing climate policy disagreement

Total said today that it will not renew its membership of the American Petroleum Institute (API), because it disagrees with the influential industry association's position on climate change.

The French firm is the first oil major to distance itself from the API, which counts ExxonMobil, Shell, BP, and Chevron as members. Its move may bring pressure, particularly on the European firms that have been vocal and proactive about the energy transition, to follow its lead.

Total's exit from the API makes good on a pledge to review its membership "in the event of lasting divergences", which the firm made when it decided against continuing its participation in the American Fuel & Petrochemical Manufacturers (AFPM) in late 2019. That followed a similar move by Shell in April of the same year. BP cut ties with the AFPM in February last year.

Total said today that its decision follows "a detailed analysis" of the API's climate positions, specifically mentioning the group's support for a rollback of US methane emissions regulations and its opposition to subsidies for electric vehicles. Total also said it has a different opinion to the API on carbon pricing, and noted that the API had given support during the recent US elections to candidates "who argued against the US' participation in the Paris Agreement".

API chief executive Mike Sommers said this week that: "A government focused on recovery for all should reject policies that could drive up energy costs and hurt those who can least afford them." He said the group is open to the possibility of further regulations on methane, without elaborating on what would types of regulation would be acceptable, but said that the API would oppose any attempt by incoming president Joe Biden to bar access to federal land or to block completion of the long-delayed Keystone XL pipeline.

Total, by contrast, has an ambition to achieve net-zero emissions by 2050, and has detailed a strategy to become a multi-energy company.

"As part of our climate ambition made public in May 2020, we are committed to ensuring, in a transparent manner, that the industry associations of which we are a member adopt positions and messages that are aligned with those of the group in the fight against climate change," Total's chief executive Patrick Pouyanne said today.

By Ben Winkley

Mexico's fuel import rules may hurt smaller firms

Mexico's small and mid-sized private-sector fuel importers could be squeezed by new stricter permit rules, only a few years after they entered the market in the wake of the 2014 energy reform.

Aside from increasing bureaucracy and paperwork for companies, the new rules give broad discretionary powers to the energy ministry in deciding whether it will grant a fuel import permit.

That discretion could favor larger, well-funded companies already established in Mexico, said Santiago Urzua, head of Ursus Energy, an energy consulting firm that operates a small retail fuel chain, GurmoGas, and has plans for a second brand, UrsusGas.

"Far from benefiting Pemex and helping it grow, the energy ministry's policy will help those companies that have strong supply chains and financial power," said Urzua. "They [large companies] will be the ultimate winners of this new monopolistic environment, which few companies will control. The possibilities of integrating new regional or smaller suppliers will be lost."

Fuel retailers' association Onexpo — which includes both large chains and individual owners — complained that the increase in bureaucracy could add to already high regulatory expenses that on average make up 40pc of a station's costs.

The longer procedures and stricter requirements for the new rules — such as providing proof of contracts and documentation of storage agreements and end-users — will be more difficult for smaller companies that would typically transport smaller gasoline and diesel cargoes in trains or tank trucks from the US southern border and then resell to regional distributors or retailers.

These trading companies may not have either the economic power or the legal teams to manage the new procedures.

The energy ministry argues that these type of smaller companies have used import permits to cover up smuggling or fuel obtained illegally from Pemex. The new rules will help combat these crimes, the energy ministry said in publishing the changes.

A short-list of larger international companies may have an advantage, as they will be able to keep 20-year fuel import permits granted by the past administration. These include Exxon, Koch, Marathon, Shell, Trafigura and Valero.

Yet even large players not on that short list have complained of delays in obtaining or renewing one- or five-year fuel import permits.

A total of 19 companies, including BP and Glencore have one-year permits that will expire this year. The list also includes smaller trading companies and end users such as car dealers.

By Sergio Meana

French road fuel demand at record low in 2020

Road fuel consumption in France rebounded in December, but remained well below the previous year, as overall demand for 2020 slumped by 15pc to a record low.

Road fuel demand increased by 27pc on the month to 3.2mn t in December, but was still down by 10pc on the previous year, according to French oil products industry association UFIP. Diesel consumption rose by 22pc on the month to 606,000 b/d, but fell by 9.4pc on the previous year. Gasoline demand increased by 50pc to 176,000 b/d, and retracted by 13pc on the year.

France was in a second national lockdown between 30 October and 15 December, although a curfew remains in place today, and has been extended past its original end date of 20 January. France was one of many European countries that introduced strict travel and economic restrictions to limit the spread of the Covid-19 pandemic last year, starting in March 2020. Road fuel demand fell by as much as 60-70pc at the height of the first wave in April 2020.

French road fuel demand totalled 35.1mn t last year as a result of the pandemic, down by 15pc on 2019 — and the lowest volume since at least 2002, when *Argus* began collating records. Diesel consumption reached 566,000 b/d, down by 15pc from 675,000 b/d in 2019. And gasoline demand totalled 170,000 b/d, down by 14pc from 197,000 b/d a year earlier.

Total oil product demand fell by 12.5pc on the year to 4.24mn t in December, and reached 48.49mn t in 2020, down by 17.3pc on the previous year.

Jet fuel deliveries reached 309,000m^3 (5,300 b/d) in December, down by 53pc on the previous year. Jet fuel demand totalled 3.88mn m^3 last year, down by 56pc from 2019.

Non-road diesel consumption increased by 1.4pc to 308,000m^3 in December, and reached 5.29mn m^3 for 2020 as a whole, up by 1.8pc on the year.

French domestic fuel oil demand totalled 622,000m^3 in December, up by 6.1pc from December 2019, and reached 6.28mn m^3 in 2020, down by 1.5pc on the previous year.

By George King Cassell

US butane up 18pc this month

US Gulf coast butane prices rose by 18pc during the first half of January on tight supplies and rising propane values.

Mont Belvieu, Texas, EPC butane rose to 95.75¢/USG yesterday from 80.875¢/USG at the start of the month. Prices are poised to rise further after climbing this morning to an intraday high of 98¢/USG.

Concern about butane inventories that began ahead of the winter-gasoline blending season have continued. October butane inventories were 5pc lower than the same month last year as export activity increased, according to to the latest Energy Information Administration (EIA) data. Butane stocks are typically drawn down during the winter months through February, with mid-March marking the end of the winter blending season.

Rising propane also supported butane this month as the heavier feedstock typically trades at a premium to propane. LST propane yesterday stood at 95.5¢/USG, up by 21pc from the start of the month.

Butane's gains outpaced increases in gasoline futures, rising to 61.6pc of Nymex Rbob on 14 January, up from 58.9pc at the beginning of the month.

By Kelly Strickland

Russian road fuels production down

Russian weekly gasoline production and diesel output have both moved lower since December, according to the latest data from Russia's energy ministry's state information agency CDU-TEK.

Gasoline output fell to 692,000t according to CDU-TEK over the 6-12 January monitoring period, compared with 16-22 December. And diesel output fell slightly over that period to 1.4mn t. CDU-TEK did not publish figures for the 23-29 December or 30 December–5 January monitoring periods, probably because of the Russian new year holidays. The latest set of figures are lower than the last published data for 2020, when gasoline output was recorded at 728,000t and diesel at 1.45mn t over the 16-22 December monitoring week.

Deliveries of gasoline into the Russian domestic market fell to 557,000t, while domestic diesel demand was down less steeply, to 865,000t. At those levels, gasoline shipments to the Russian domestic market were at their lowest since June, while diesel deliveries were at their highest since August 2019.

Inventories were mixed in direction, with gasoline down to 1.23mn t but diesel up to 2.47mnt.

The Covid-19 pandemic is probably constraining Russian gasoline demand, although measures in place in Russia are less strict than other European countries, which have imposed nationwide lockdowns. In Moscow, citizens over 65 and those with critical illnesses must remain home, while employers are obliged to have 30pc of their workforce working remotely, up until 21 January. But traffic could soon increase as primary and secondary school students will return to full-time education from 18 January, although university students will continue learning remotely. Russia reported 24,715 new coronavirus cases on 15 January, and 555 deaths, both down slightly on the day.

By Robert Harvey

Citgo Corpus Christi reports FCC shutdown

Citgo anticipates increased emissions from a planned shutdown of a fluid catalytic cracking (FCC) unit today at its 157,500 b/d refinery in Corpus Christi, Texas.

The shutdown of the unit in the refinery's east plant was scheduled to complete maintenance activities, according to a company filing with state regulators. Citgo gave no timetable on when the work is expected to be complete.

FCCs convert vacuum gasoil primarily to gasoline blendstocks.

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