



Butadiene / C4s (Europe)

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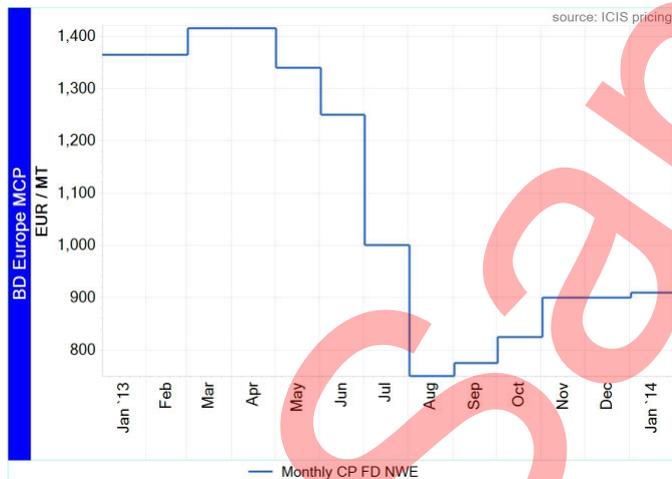
CONTRACT PRICES						
Click for Price History			Price Range		Four weeks ago	US CTS/LB
FD NWE JAN	EUR/TONNE	+10	910-910	+10	900.00-900.00	56.44-56.44

NOTE: for full details on the criteria ICIS pricing uses in making these price assessments visit www.icispricing.com and click on "methodology".

Supply, demand balanced, steady market prevails

The European butadiene (BD) market is steady with supply and demand well matched at present. Domestic demand is buoyant on restocking activities. Some producers say that contractual customers are maximising volume offtake as well as asking for incremental tonnes but this is largely seen as attempts to cover positions left short by the ongoing, unplanned production outages, rather than any real boost in bottom-level demand.

There was some talk last week that light feedstock cracking constraints on supply might be having an influence on availability but in general this is not seen as a major element at this stage. Some suggested that the freezing temperatures being seen in North America/Canada at the moment might have some impact on LPG (liquefied petroleum gas) prices and reduce or take away its advantage over using naphtha.



Upstream

Crude oil futures turned volatile with a number of factors supporting and pressuring the market. The polar vortex over the US, along with ongoing production outages in Libya and pipeline disruptions in Iraq provided much of the support. But tepid economic data from China, and the gradual improvement in labour markets in the US and the UK could pressure the US Federal Reserve and Bank of England to raise interest rates.

This week's US stock figures from the Energy Information Administration (EIA) showed massive builds on both distillates and gasoline, overriding a larger draw on crude than forecast.

	10 Jan*	03 Jan	27 Dec	20 Dec
Crude oil				
ICE Brent	107.05	106.89	112.18	111.77
WTI	92.90	93.96	100.32	99.32

Front month - \$/bbl, *Afternoon trading

The European naphtha market is being well supported by continued Asian demand amid slow domestic sales. An arctic chill and subsequent refinery outages in the US raised expectations of increased naphtha demand from the gasoline sector earlier in the week, only to be offset by data from the EIA showing a larger-than-expected build in gasoline stocks on the US East Coast, a key destination for European exports.

Naphtha week ending 10 January	Week ending 3 January
\$918-932/tonne CIF NWE	\$908-958/tonne CIF NWE

Downstream

The European styrene butadiene rubber (SBR) market has remained as flat as it did in the run up to the Christmas period while contract prices (CP) for January are yet to be agreed. While January feedstock BD and styrene prices firmed, two tyre producers forecast that SBR prices are likely to roll over due to weak market conditions. Some sources expressed caution in forecasting 2014 as market conditions remained uncertain, adding first-quarter performance could be a good indicator for the year ahead. With trade body European Automobile Manufacturer's Association (ACEA) figures detailing a rise in European passenger vehicle sales in October and November, sound bites of optimism were heard from market sources as small signs of a recovery. However, results for December have not yet been published.

Spain's Elix Polymers announced an increase of €50/tonne for its European acrylonitrile-butadiene-styrene (ABS) January prices because of higher feedstock costs. The announcement follows an earlier press release from Swiss producer Styron this week also announcing a €50/tonne rise in its January prices. Buyers are resisting these initial higher offers from their

suppliers, though accept that a rise in feedstock costs will lead to higher January prices, expected to be in the range of €30-40/tonne. January demand is good, with one distributor of extrusion grade ABS saying there is a more positive sentiment amongst its customers, and a more bullish attitude to 2014 in general.

Cracker update

European cracker margins based on naphtha feedstock have started 2014 on a positive note because of a combination of lower naphtha costs and higher contract price settlements for January, according to ICIS margin analysis.

In the week ending 3 January, naphtha costs were at their lowest since late October. The January ethylene contract price was agreed up by €15/tonne (\$20/tonne) and co-product credits also rose on the back of gains in the propylene, BD and benzene contract prices for January.

The average annual 2013 contract margin was 2.4% below 2012 and 7.4% below 2011. Fourth-quarter 2013 margins were the lowest since the first quarter 2012.

Spot margins are at their highest since June 2013 because of the softer naphtha costs together with higher spot ethylene and propylene prices. However, average annual 2013 spot margins were at a three-year low.

Annual average 2013 contract margins based on LPG (liquefied petroleum gas) were the highest since 2007 and at a €23/tonne premium over contract margins based on naphtha.

The ICIS margin model is generic and does not refer to any individual operation because of a variation among crackers. Therefore it can mainly be used as a reference in terms of step change rather than in terms of absolute values.

Total Petrochemical's cracker at Gonfreville in France is believed to still be offline. Force majeure declarations on high density polyethylene (HDPE) and polypropylene (PP) are still in place. Sources are assuming that there are some technical issues whether directly or indirectly related to the recent strike action. The cracker may remain offline until the end of the month, sources said, but Total declined to comment. The Feyzin cracker also in France and affected by the December strikes, is believed to be in the restart process.

Dow Chemical's 650,000 tonnes/year ethylene cracker at Tarragona in Spain is back on line and running "at full blast" having been idled in December for market reasons. The cracker has been back in operation since 3 January. Dow said in November that it would take the cracker offline from 1 December because of challenging market conditions and an unclear demand picture for polyethylene (PE).

Market sources are expecting the Total/INEOS joint-venture Lavera, France, cracker to be running at full capacity at the end of January or early February, but this has not been confirmed directly. The cracker had been running at reduced rates following a fire at one of the unit's main compressors on 22 December 2012.

Scheduled cracker maintenance in 2014*

Company	Location	Timing
Sabco	Wilton, UK	May-June
BASF	No 1, Ludwigshafen, Germany	September
Shell	2A, Wesseling, Germany	Oct-Nov
INEOS	KG, Grangemouth, UK	Aug-Sep
ExxonMobil	ND Gravenchon, France	Sep-Oct
Versalis	Brindisi, Italy	Sep-Oct

*none confirmed

BD production

The status of Total Petrochemical's French BD units is unclear. Strike action had led to a force majeure declaration on BD out of Gonfreville and Feyzin. The market view was that operations were close to returning at Feyzin, but a restart at Gonfreville would take longer because of ongoing technical issues at the cracker. Total declined to comment.

BD 2014 maintenance schedule*

Company	Location	Timing
Sabco	Wilton, UK	May-June
Sabco	Geleen, NL	June
OMV	Schwechat, Austria	Q2
BASF	Mannheim, Germany	September
INEOS	Dormagen, Germany	Mid-August, end-September

*none confirmed

SPOT PRICES						
Click for Price History			Price Range		Four weeks ago	US CTS/LB
FOB ARA	USD/TONNE	n/c	1250-1300	n/c	1250-1300	56.70-58.97
FD NWE INLAND	EUR/TONNE	n/c	950-960	n/c	900.00-950.00	58.92-59.54

The spot market has yet to show some real signs of life - no deals were relayed to ICIS this week, but sources said there

were discussions that had concluded in trade. Asian prices, having started the year on a firm footing, have stabilised this week as buying interest was limited - end-user demand

remains muted. European sources are unsure whether demand will emerge for deliveries post Chinese Lunar New Year and at what price as current price ideas in Asia are not in line with those ex-Europe.

Sources said the published export price range remains valid. Others suggested a tighter range of \$1,250-1,285/tonne FOB ARA. Shipping reports show the vessel *Happy Bear* possibly fixed to load a combination BD, crude C4 (CC4) cargo mid-January, destined for the US. No further details were available.

Domestic spot prices are heard within the published range and also lower at €930-940/tonne FD NWE - there was no evidence of trade at these lower-than-published numbers however.



CRUDE C4 - SPOT PRICES

Click for Price History			Price Range		Four weeks ago	US CTS/LB
FOB NWE	USD/TONNE	+10.50	963.90-978.60	-27.30	962.39-981.88	43.72-44.39

CC4 factor: 1.05

No deals were heard in terms of the CC4 market this week, but several sources said that availability appeared to have loosened as offers were being more frequently seen.

Factor values were seen within the same ranges as last week. Several sources talked 1.05-1.10 times naphtha as being realistic, while there were still offers above 1.10 times naphtha at 1.15-1.20 times naphtha.

Aside from the BD/CC4 combination cargo seen fixed on the *Happy Bear* as already mentioned above, shipping reports showed fixtures ex-Turkey on the *Trans Catalonia* and *Bahrain Vision* - both heading to the US.

The yearly Turkish CC4 tender has been announced and the producer in question is receiving offers. The tender is expected to be awarded at the end of March.

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