News Release Archive

Platts Report: Falling energy prices could challenge profitability of U.S. petrochemicals

Naphtha price drop expected to put pressure on margins of shale-based production

LONDON, Dec. 15, 2014 /PRNewswire/ -- The petrochemical industry got a taste of what could be a potential shift in petrochemical profitability during the last quarter as crude prices - and, in turn, naphtha prices - tumbled, according to the just-released quarterly: *Platts Global Polyolefins Outlook*.

Although the falling energy prices do not directly impact the cost of making ethylene from low-cost, shale-based ethane in the U.S., the falling naphtha price is expected to put a pinch on the shale-based production margins, as the values of ethylene and polyethylene fall globally.

Polyethylene, commonly known as PE or polythene, is the world's most widely used plastic, primarily used to make films used in packaging and plastic bags. PE production consumes more than half of the world's supply of ethylene.

The falling naphtha price will make olefins supply from the rest of the world more competitive, as naphtha is currently the feedstock used to produce 44% of the world's ethylene. The latest *Global Polyolefins Outlook* shows that the influence of naphtha prices on the plastics market is expected to shrink slightly during the next decade, with naphtha used for only 41% of global ethylene production in 2024.

"What we are seeing now is more of an anomaly," said Jim Foster, director of petrochemical analysis at Platts. "For this to be a sustained trend, there would need to be indications that the crude oil and naphtha prices would remain below $70/barrel for an extended period of time. A lot will depend on how the tight oil producers in the United States respond to these low crude oil prices."

Details of the development in the naphtha, ethylene and PE markets can be found in this factsheet, which is a snippet of the 101-page *Platts Global Polyolefins Outlook* report that also covers the propylene and polypropylene markets.

The *Platts Global Polyolefins Outlook*, previously known as the *Platts Shale to Polyethylene Report*, is a quarterly report available by subscription. The detailed analysis of global petrochemical markets includes a summary of findings; comprehensive region-by-region data on ethylene and polyethylene production, supply and demand, cracker projects, plant capacity and trade flows; as well as 10-year price forecasts from Bentek Energy, an oil and natural gas analytics and forecasting unit of Platts, for crude oil and five natural gas liquids (NGLs): ethane, butane, isobutane, propane and natural gasoline.

Each quarter's report will feature updated content, data forecasts and commentary from Platts petrochemicals analysts globally. The next *Platts Global Polyolefins Outlook* is scheduled to be released in March 2014.

Monthly information on the spot physical market prices of olefins and aromatics, the building blocks to polyethylene, polypropylene and other plastics, synthetics and rubbers, is available via the *Platts Global Petrochemicals Index (PGPI)*.

For more petrochemicals information visit the Platts website at www.platts.com.

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