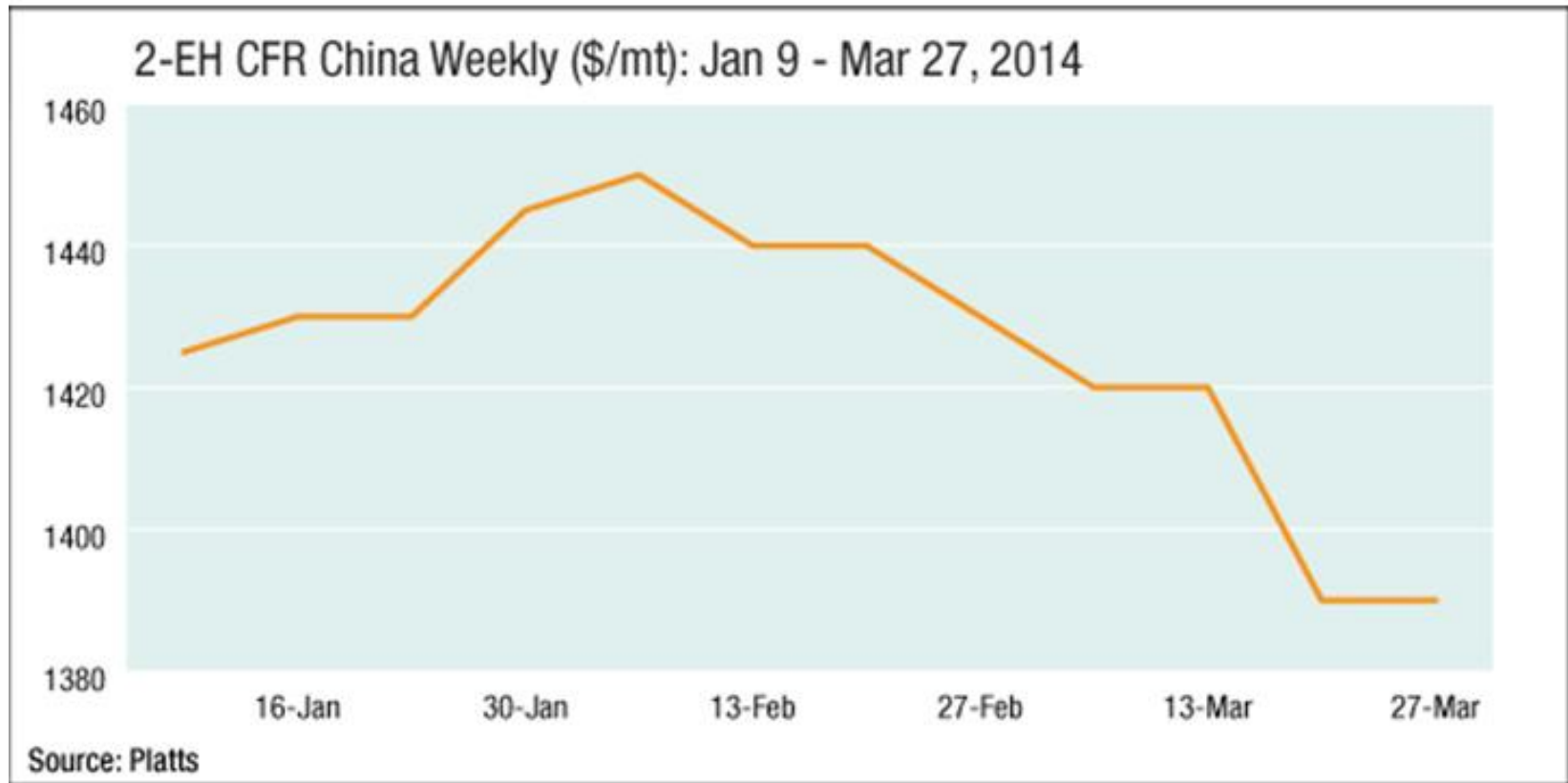


# 2-EH, NBA see sharp decline in prices on new Chinese capacity

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- Asian 2-ethyl hexanol prices averaged \$1,426/mt CFR China in the first quarter of 2014, down 10% from a similar period in 2013, Platts data showed April 3.
- Asian 2-EH prices had averaged \$1,584/mt CFR China in Q1 2013.



- In contrast, propylene, which acts as a feedstock for 2-EH, averaged \$1,396/mt in Q1 2014 up \$88/mt or 6.3% from from a similar period in 2013.
- A drop in 2-EH prices along with a rise in feedstock propylene prices led to a steep drop in margins for 2-EH producers who have resorted to lowering of operation rates or using the product for captive consumption.
- The 2-EH/propylene spread stood at \$30/mt in Q1 2014 more than nine times lower as compared to \$276/mt in a similar period in 2013, Platts data showed.

- "The fall in 2-EH prices and margins in the first quarter came even as two 2-EH prominent producers who sell into the Asian spot markets kept their plants shut for maintenance. Furthermore, several small producers in China ran their plants at an average of 60% of capacity," a Chinese trader said.
- South Korea's LG Chem had shut its Yeosu based 150,000 mt/year plant and Hanwha Chemicals had kept its 100,000 mt/year plant also based in Yeosu shut for maintenance for most of March.
- Both these plants are currently running at full capacity.

- About 75% of 2-EH in Asia is used in making plasticizer dioctyl phthalate, or DOP, demand for which has dropped in recent years.
- This is because the use of DOP is banned in the production of toys in the US and the EU, and Asian toy manufacturers are starting to follow suit.
- DOP prices averaged \$214/mt in Q1 lower \$214/mt, or 12% from an average of \$1,751/mt in Q1 2013.
- Prices of normal butanol, which is produced along with 2-EH and uses the same feedstock propylene in swing plants across Asia, averaged \$1,206/mt in Q1 2014 down \$263/mt or 22% from Q1 2013.

- China saw coming onstream of new capacity of 800,000 mt/year each of 2-EH and NBA over the past six months.
- The country is expected to see a total of about 1 million mt/year each of new 2-EH and NBA capacity by mid-June.
- "China was the prime import market 2-EH and NBA till the end of 2013. Since 2013 it has become increasingly self sufficient. The country has begin exporting these products," a Chinese producer said.
- According to sources, China's state-owned Tianjin Soda is in talks to sign term contracts for 2-EH and NBA cargoes with buyers globally

- The company doubled production capacity at its oxo-alcohols plant at Binhai Industrial Area in September and dedicated most of the additional capacity to exports.
- The company's Binhai swing plant currently has the capacity to produce 280,000 mt/year of 2-EH, 170,000 mt/year of normal butanol and 50,000 mt/year of isobutyl alcohol.
- Tianjin Soda built a pipeline linking its plant to Tianjin port in June 2011.
- It began exporting cargoes in January 2013 as Chinese domestic markets grew increasingly oversupplied



- The falling demand for 2-EH and NBA is reflected in Chinese 2-EH import figures that have slid sharply over the first two months of 2014.
- China imported 32,323 mt of 2-EH in January and February down almost 54% year on year from a similar period in 2013.
- The country imported 46,744 mt of NBA in January and February down 38% year on year from Q1 2013.

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