

Polymers: Here Comes the Polyethylene Boom

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May 29, 2015

AGENDA

Polymers: Here Comes the Polyethylene Boom

Latin America as a prime destination for US Exports

How naphtha could upend expansion strategy

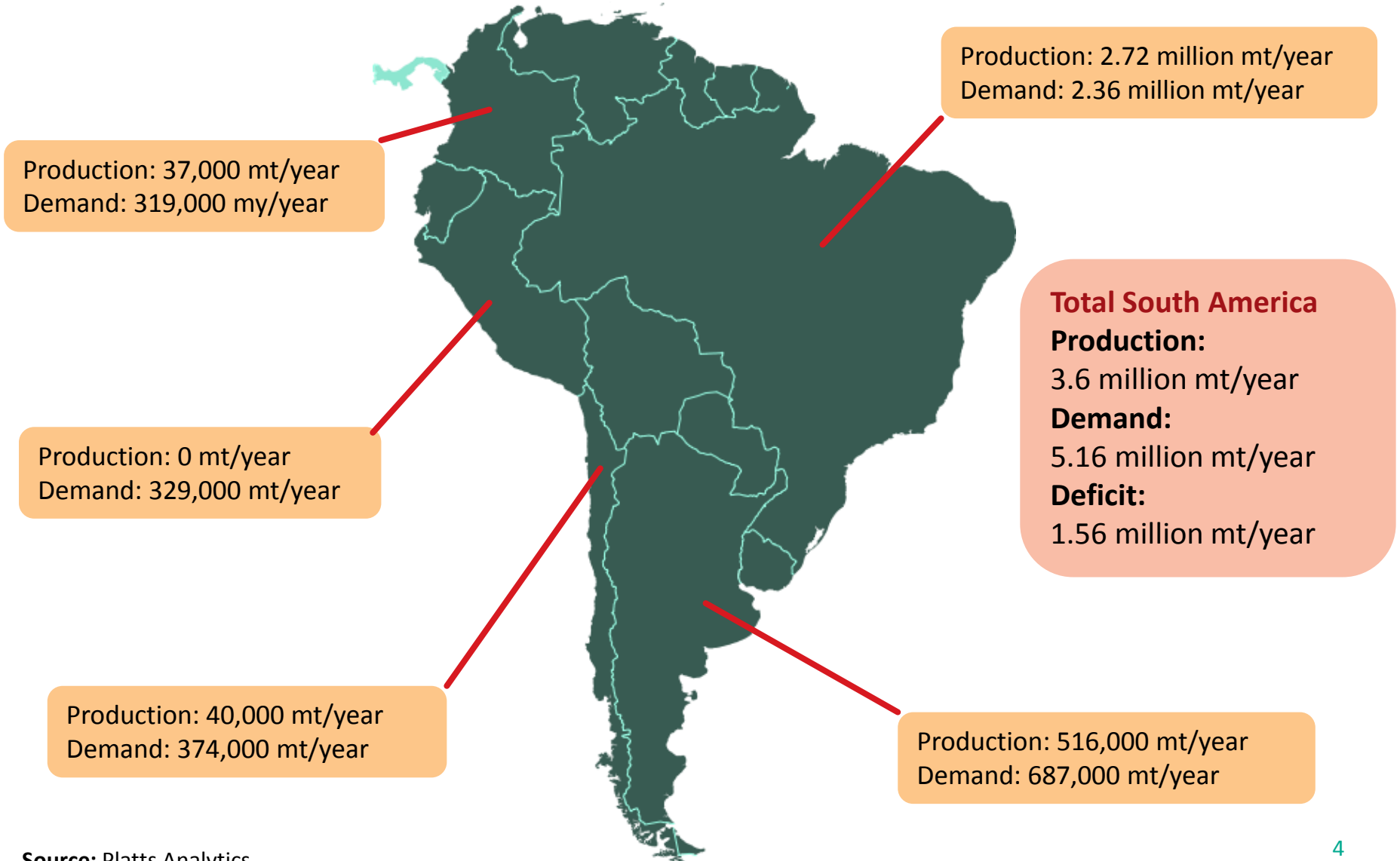
PP: Behind producers' push for margin expansions

Polymer pricing overview

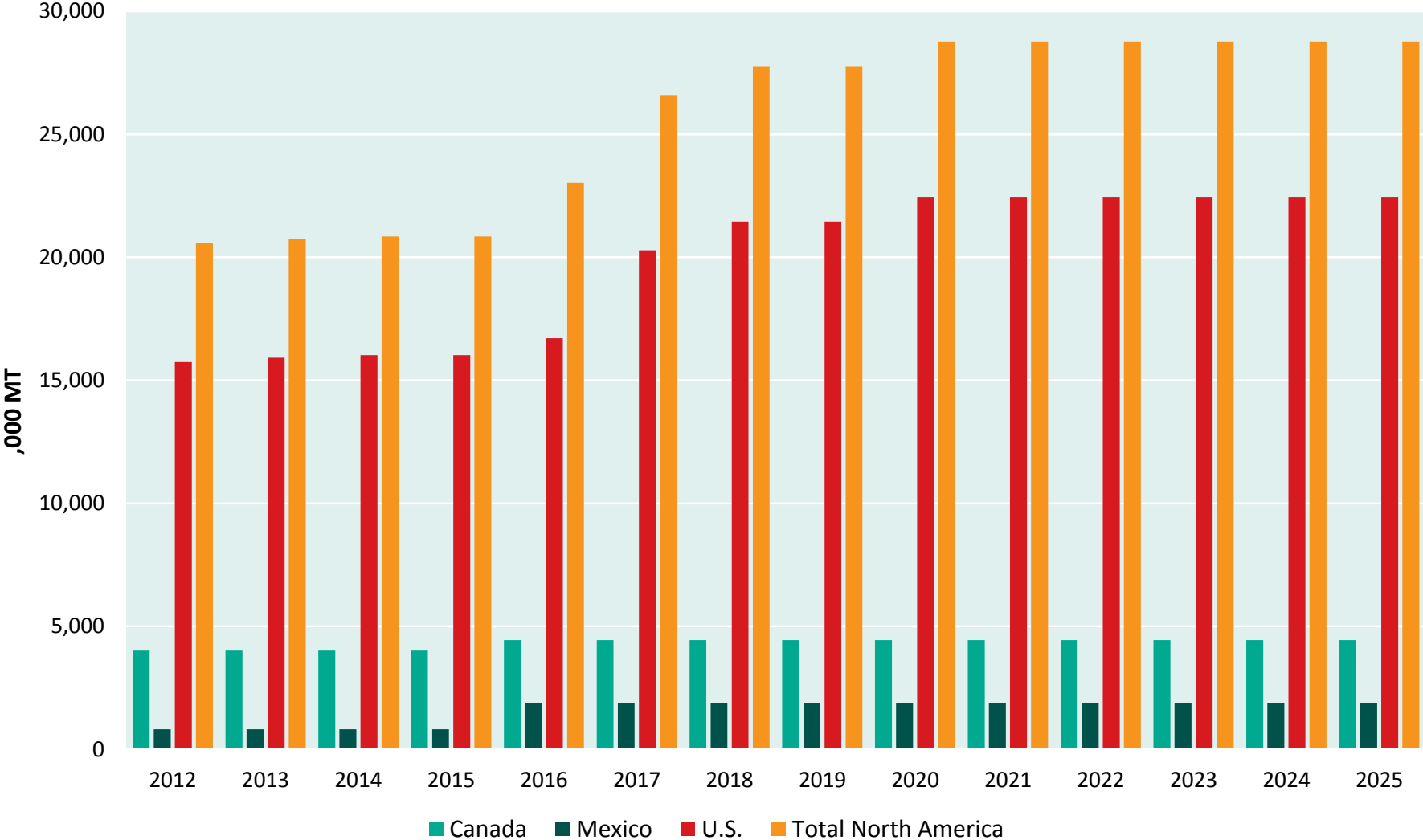
Latin America a prime destination for US exports

Increased North American capacity over the next decade will make US a bigger player in the global polyethylene market.

South American PE markets

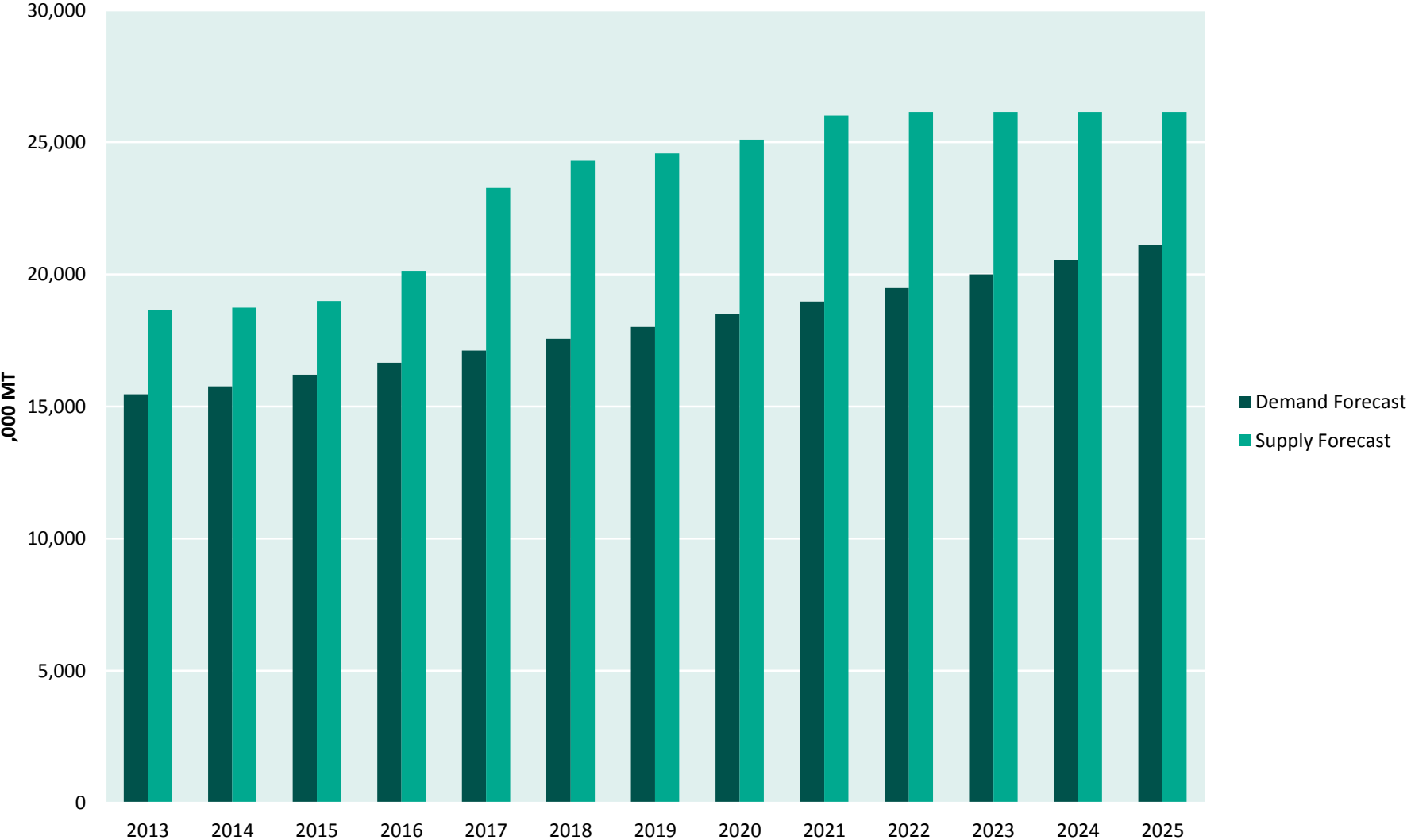


North America PE expansions



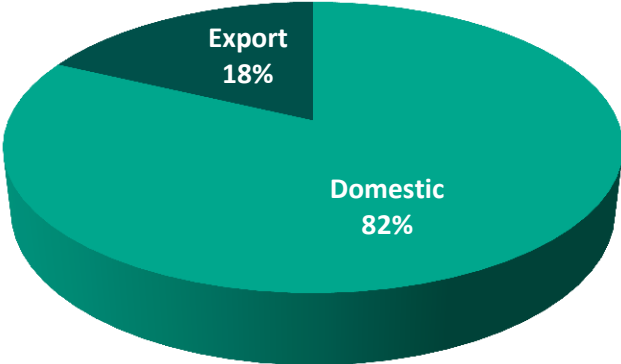
Source: Platts Analytics

North America supply/demand forecast

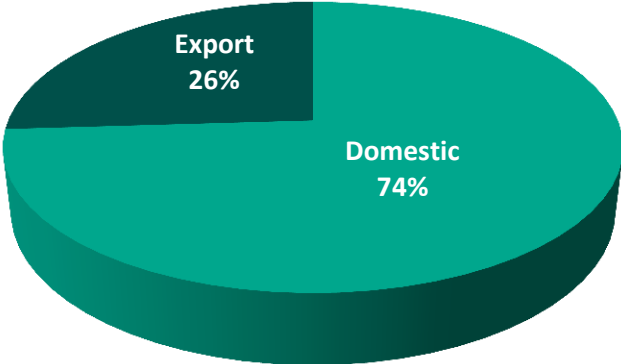


Source: Platts Analytics

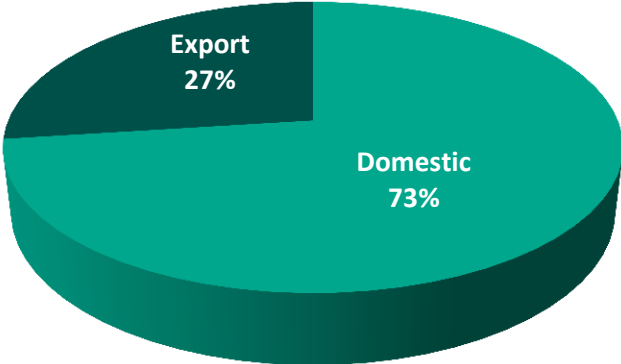
All US PE (2014)



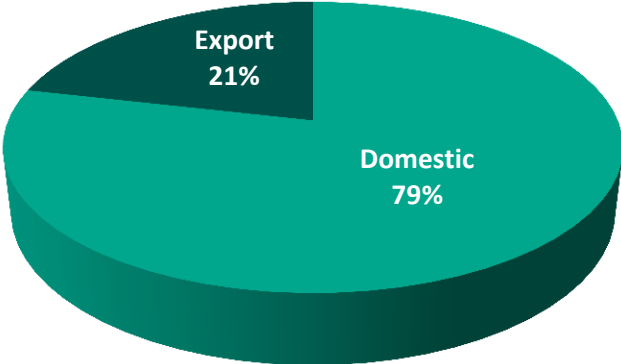
All US PE Projected (2018)



All US PE Projected (2021)

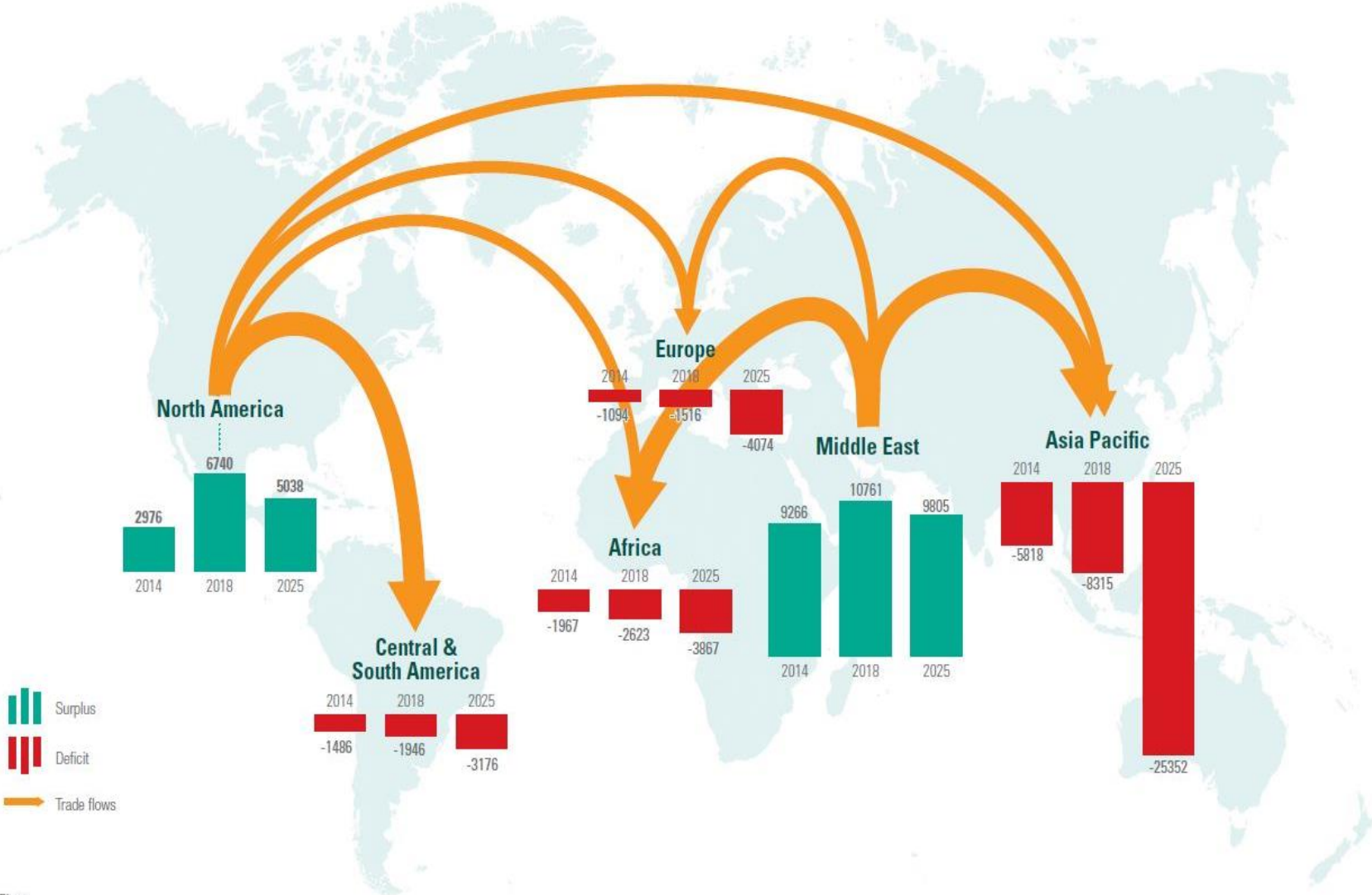


All US PE Projected (2024)



Source: American Chemistry Council, Platts Analytics

PE trade flows 2014, 2018, 2025

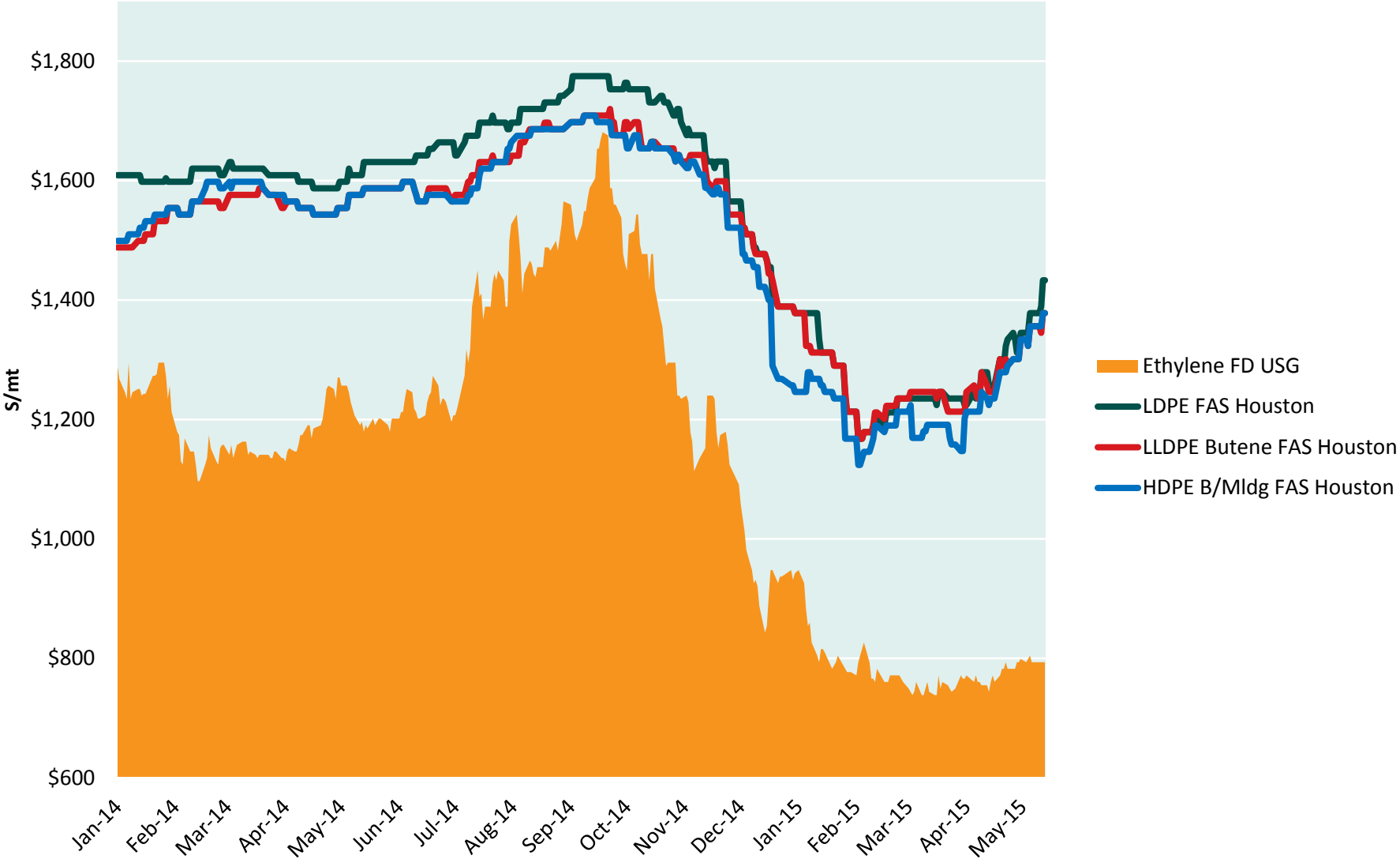


Source: EIA, Platts

How cheaper naphtha could upend the strategy

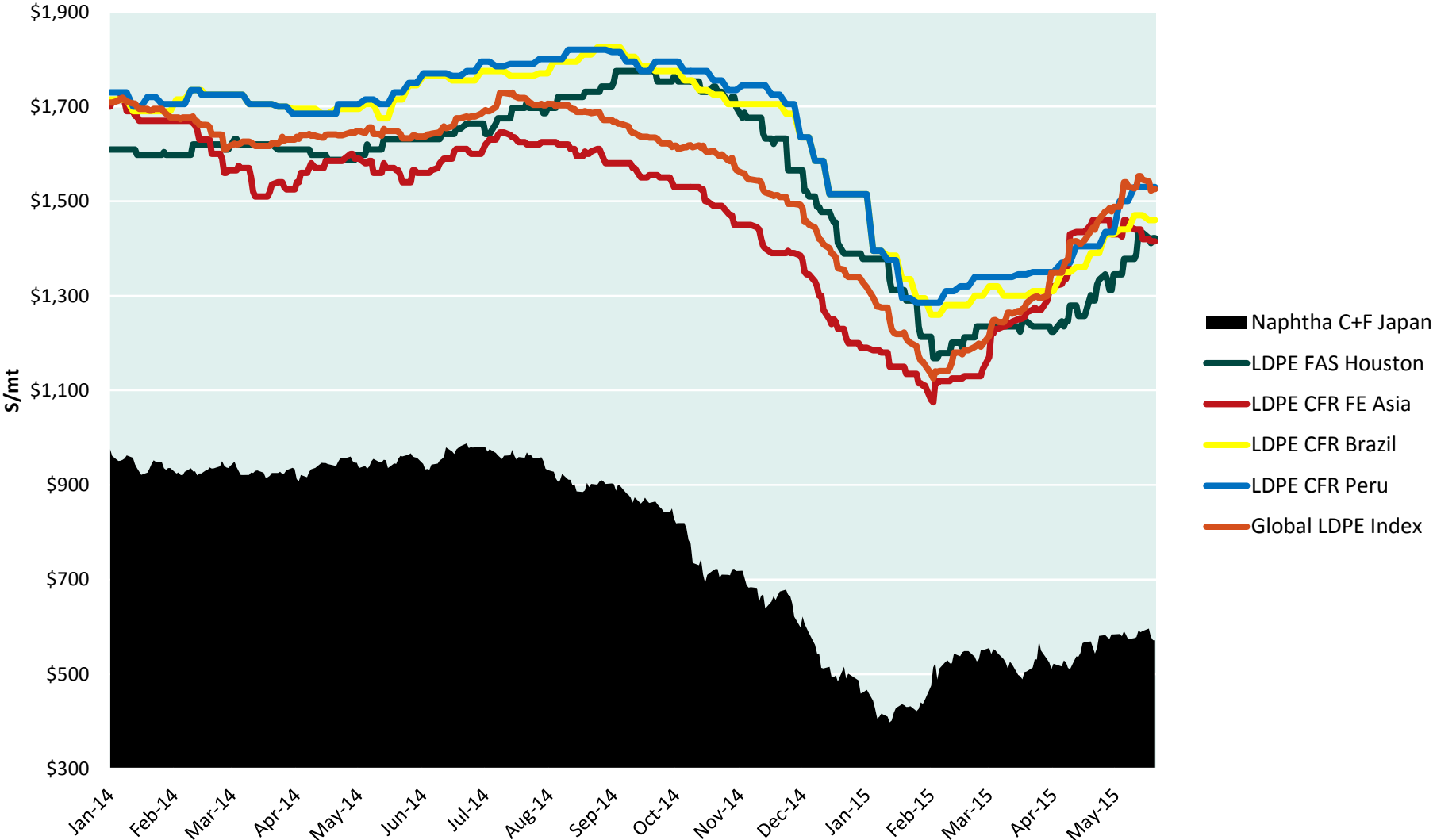
While ethane-based margins are still cost-advantaged, lower oil prices have some producers taking a closer look at potential investments.

US spot ethylene & PE



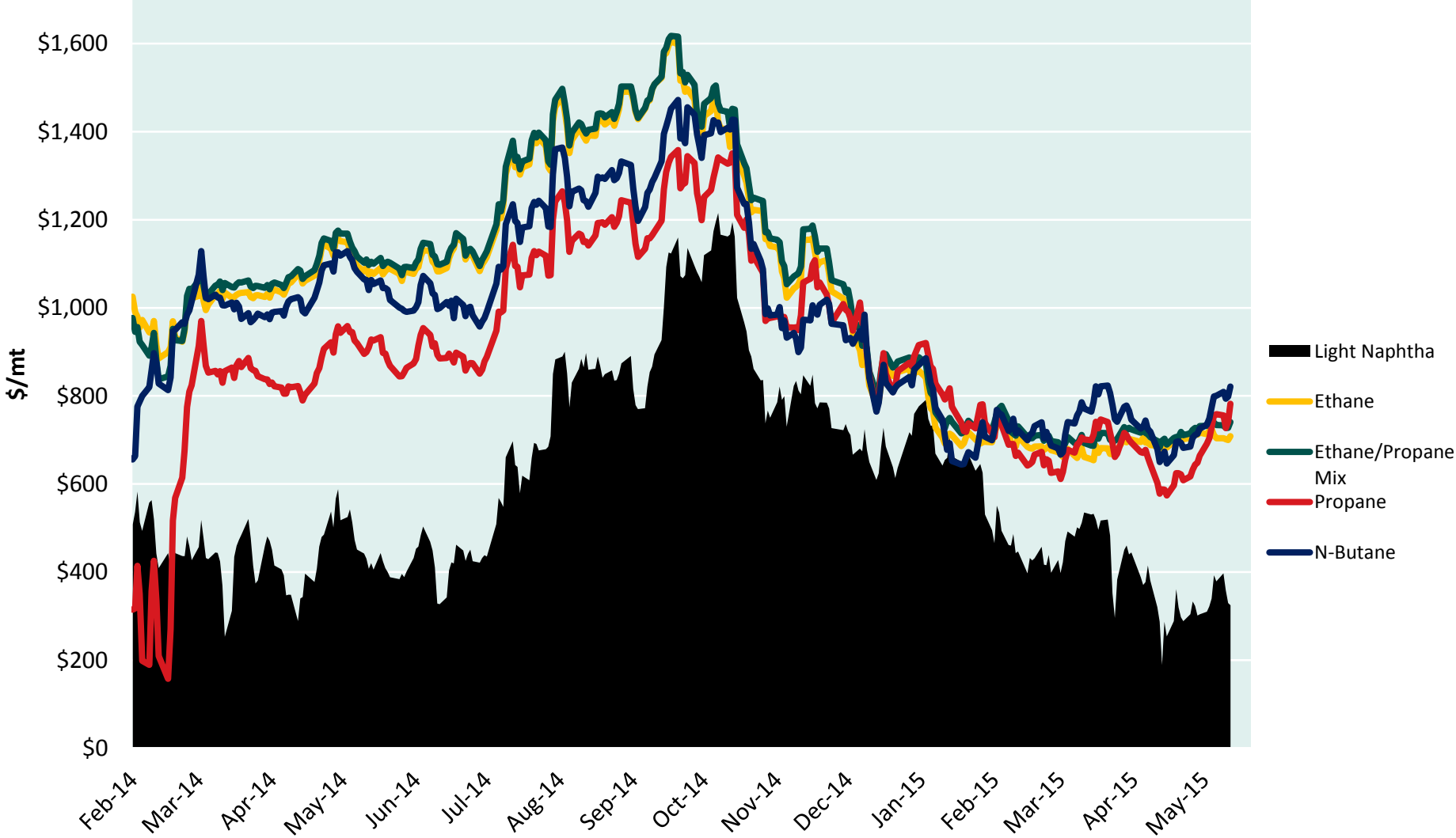
Source: Platts

Naphtha sets the PE global price



Source: Platts

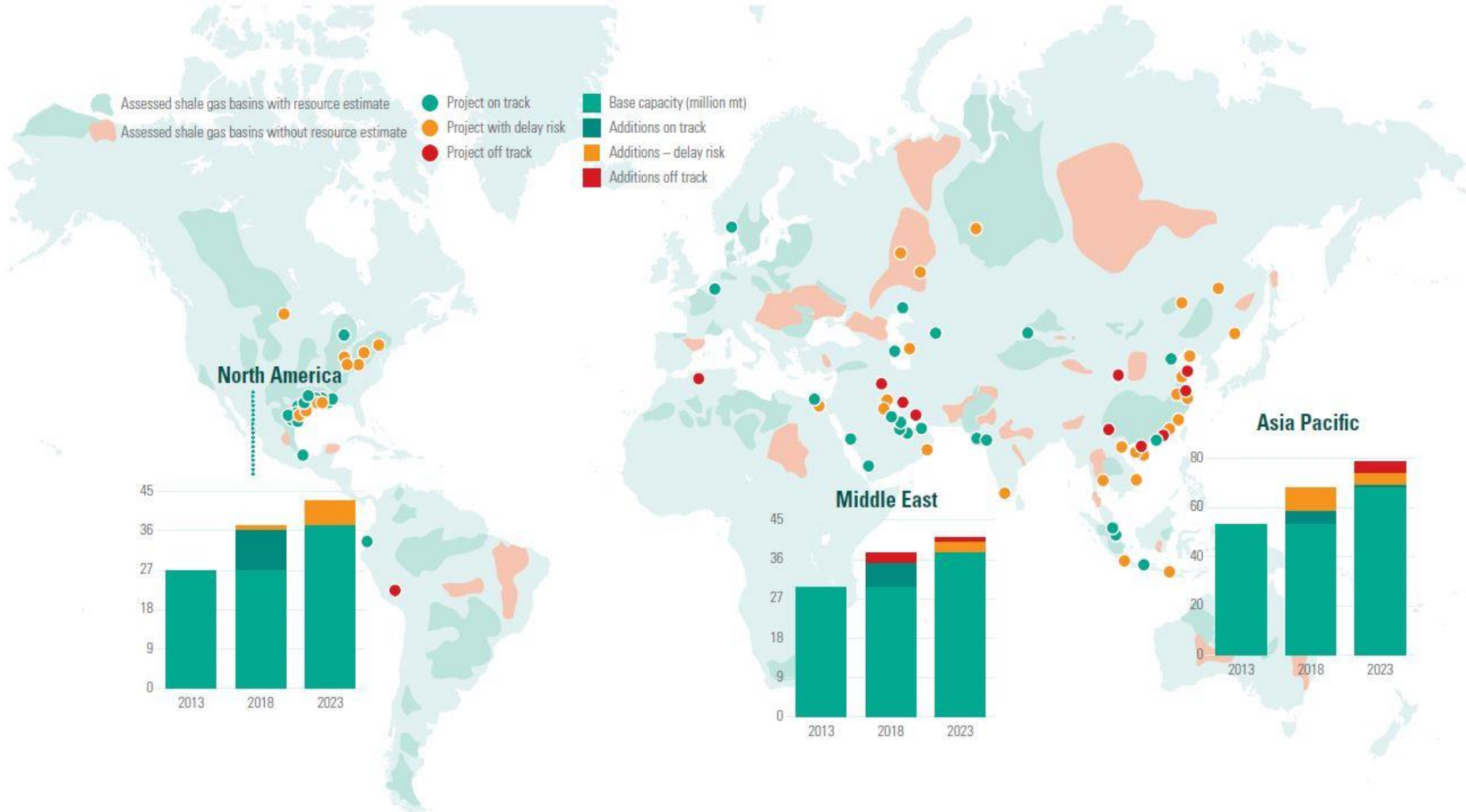
US steam cracking margins



Source: Platts

Global expansions

GLOBAL ETHYLENE CRACKER PROJECTS



Source: EIA, Platts

PP: Behind producers' push for margin expansion

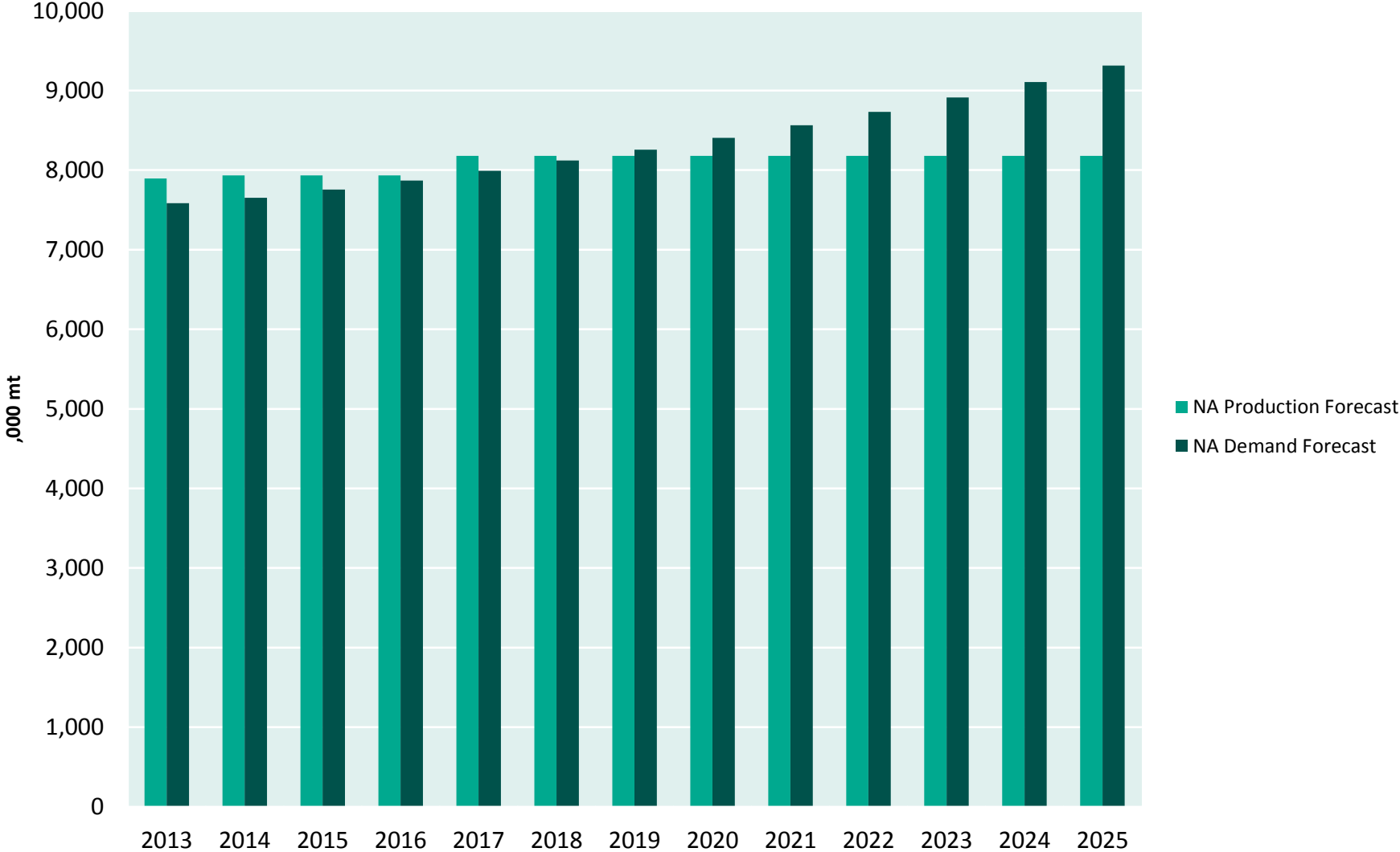
Current cost structures in the US have PP on the outside looking in when it comes to the polymer expansion boom.

US PE and PP: Days of inventory



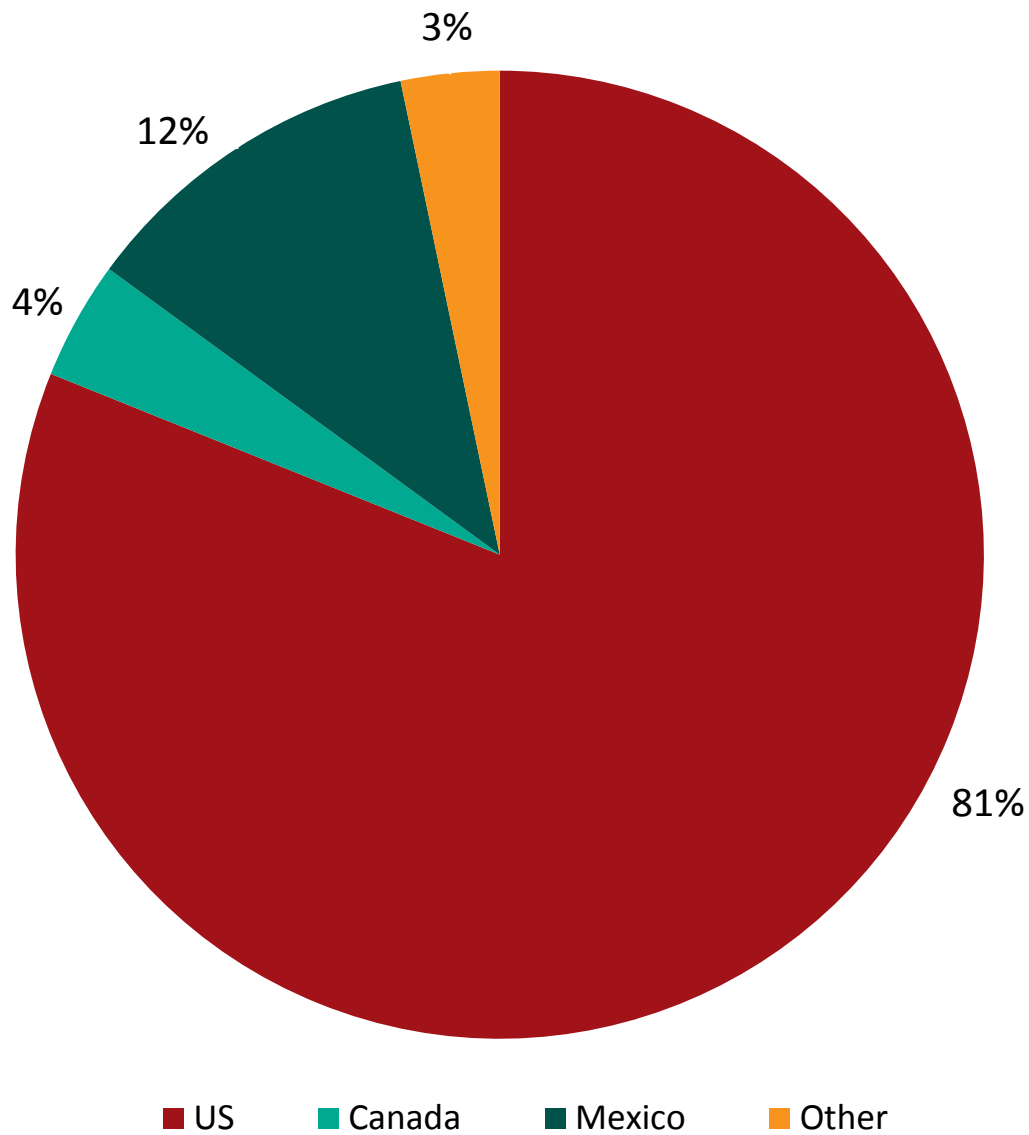
Source: ACC, Platts

North America PP Supply/Demand



Source: Platts Analytics

Where does North American PP go?



2014 NA PP Sales

US:

13.26 billion lb

Mexico:

1.91 billion lb

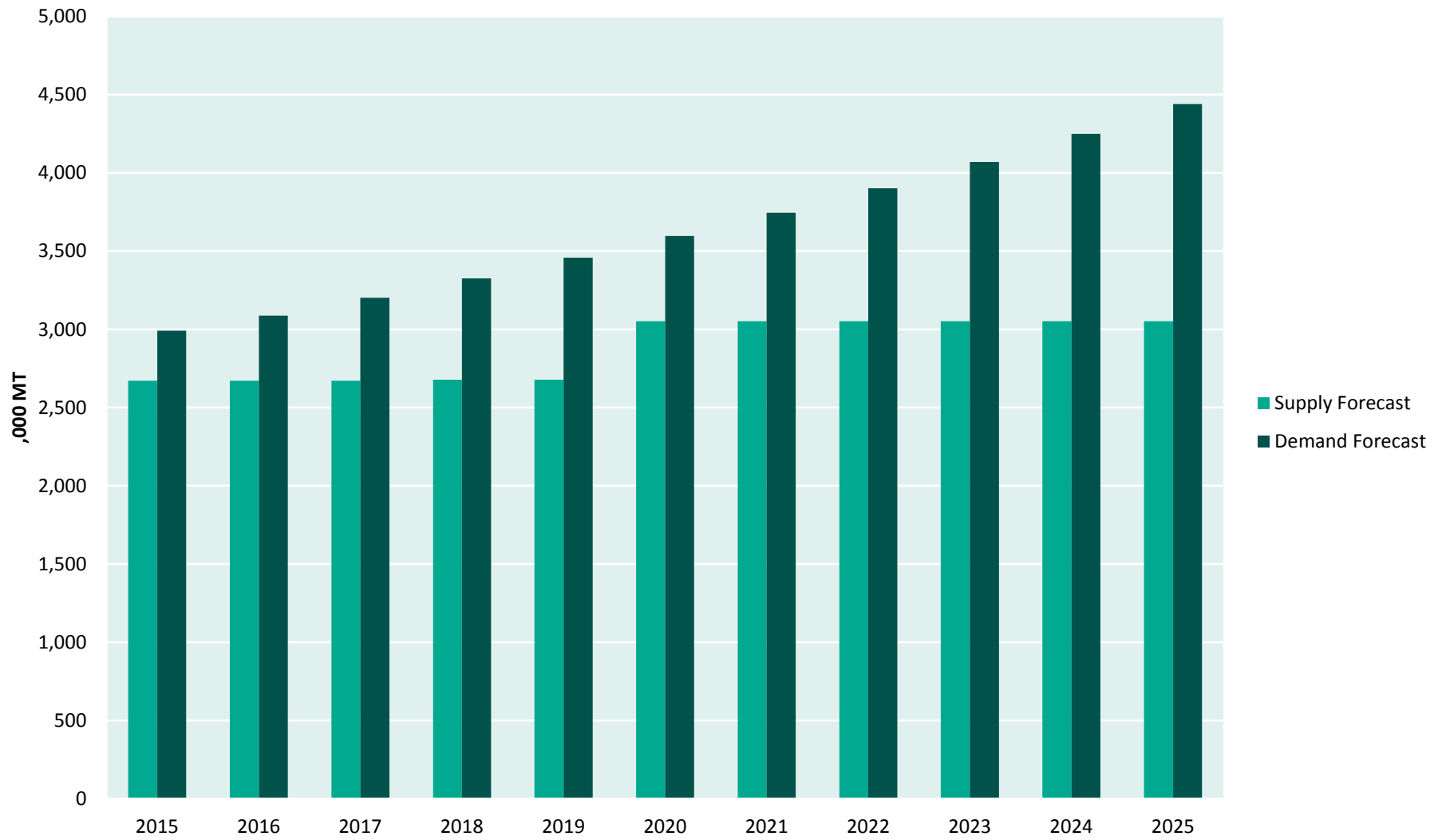
Canada:

646.3 million lb

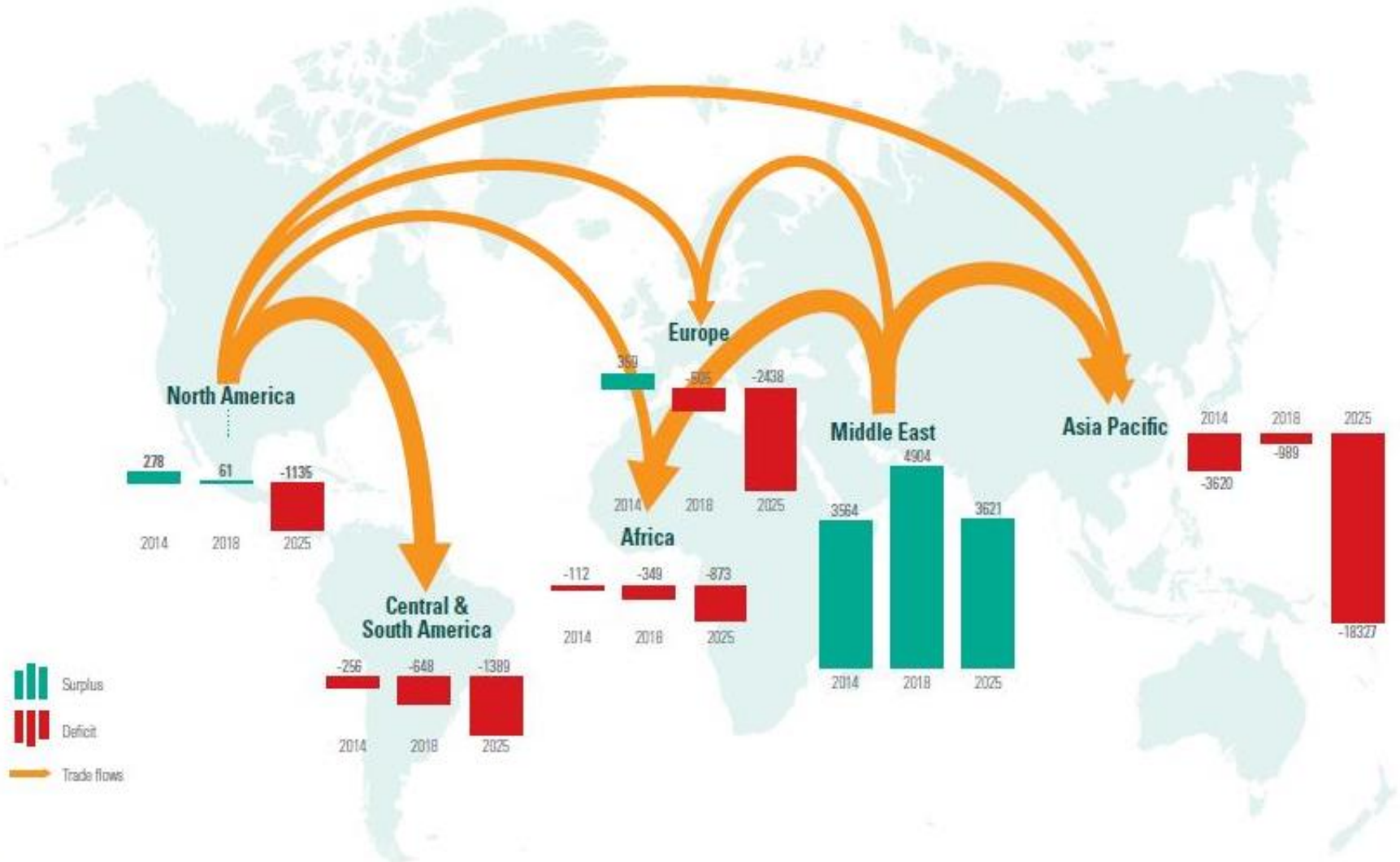
Other:

537.8 million lb

South & Central America PP Supply/Demand



PP trade flows 2014, 2018, 2025

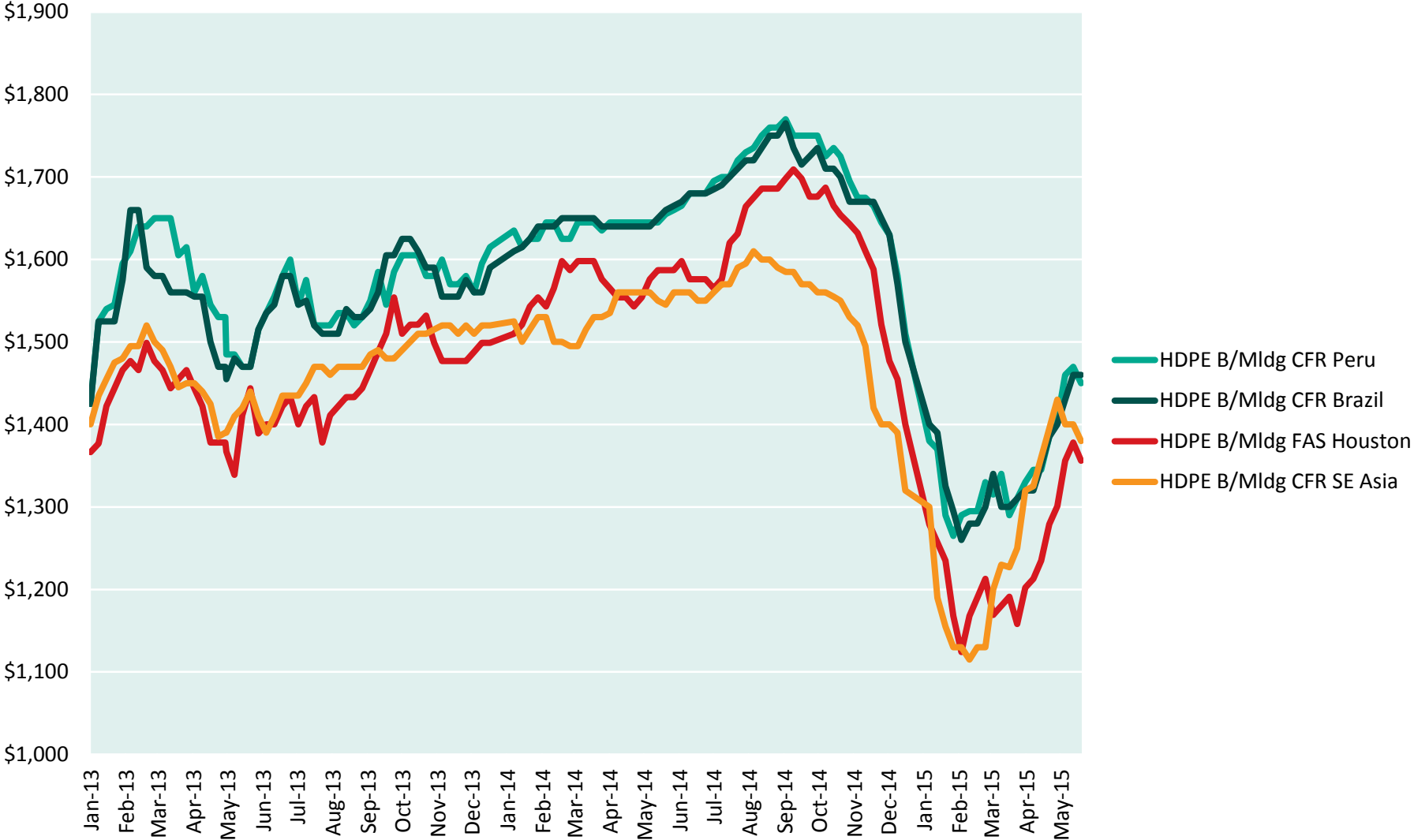


Source: EIA, Platts

Polymers at a glance

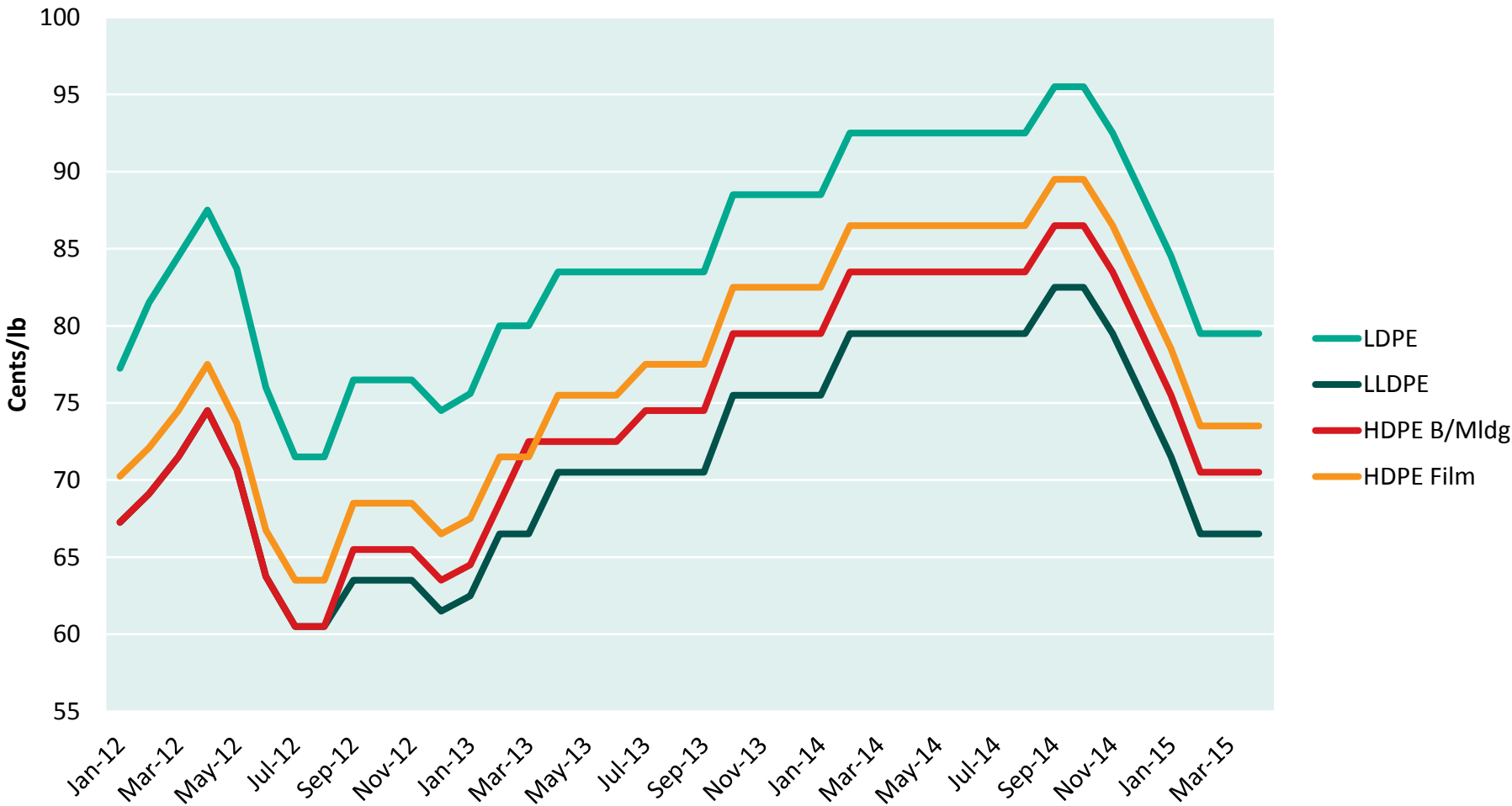
Polyethylene, PVC, polypropylene and polystyrene pricing updates

PE: US pricing competitive globally

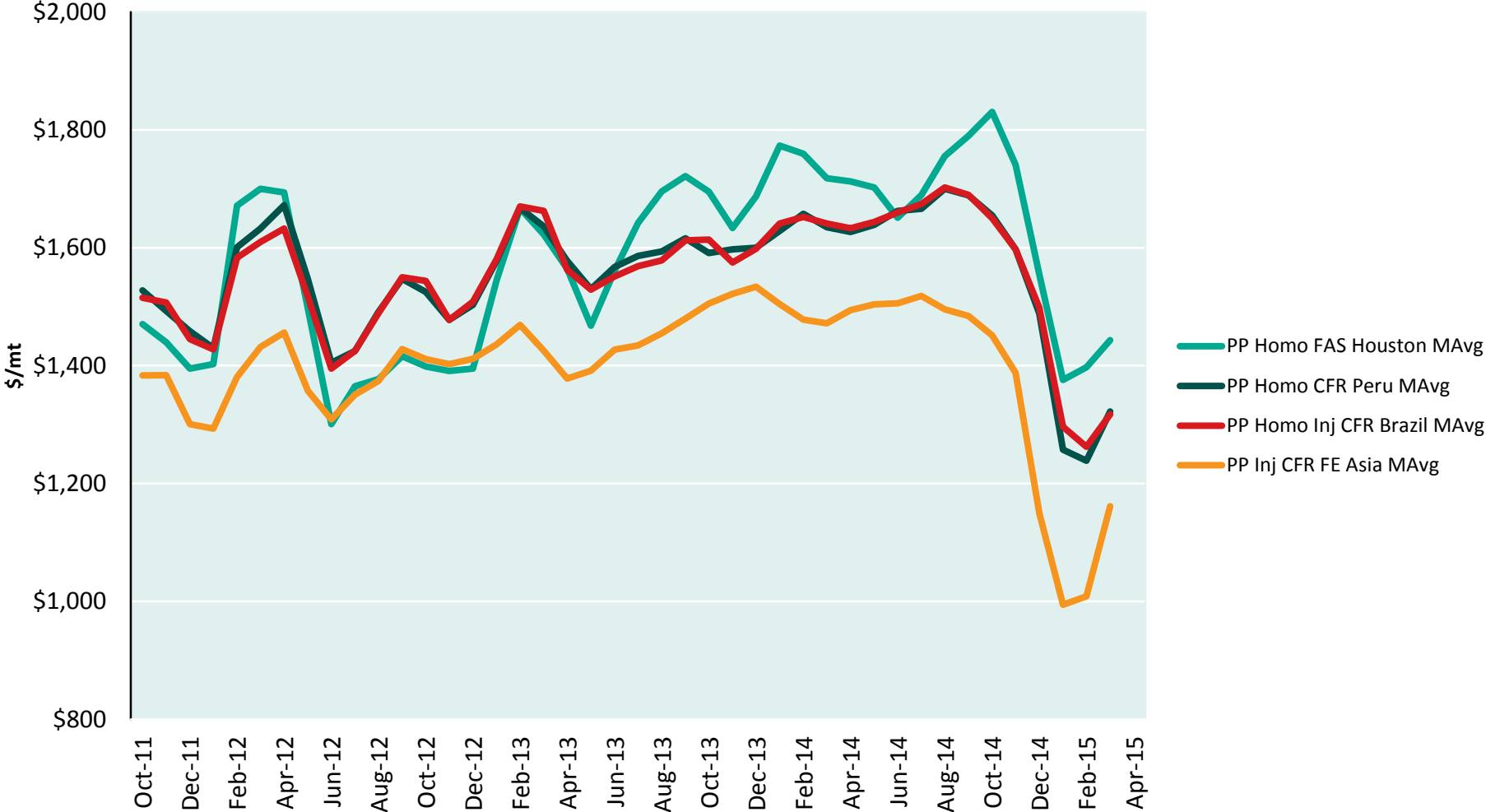


Source: Platts

Domestic Delivered Railcar

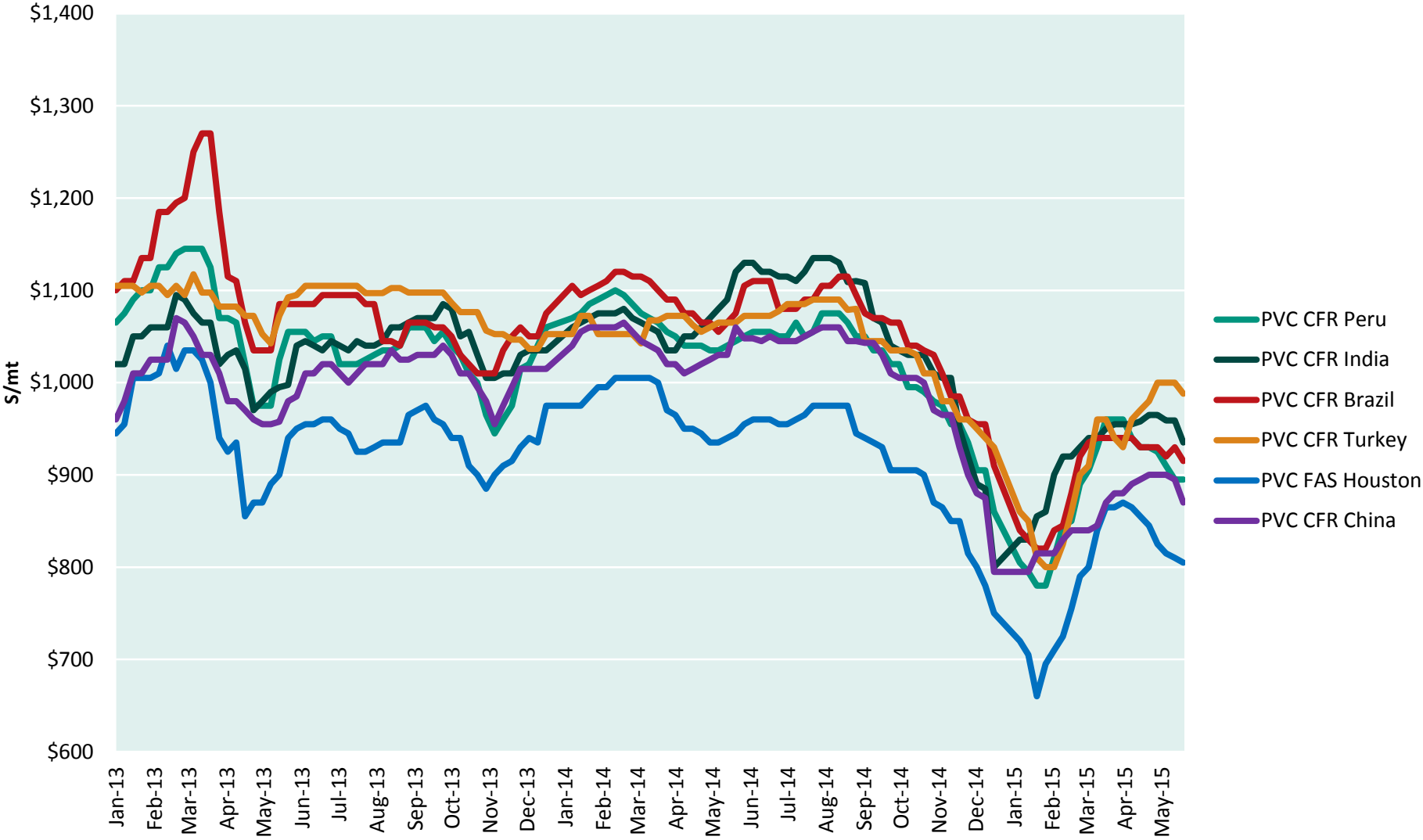


PP: US uncompetitive globally



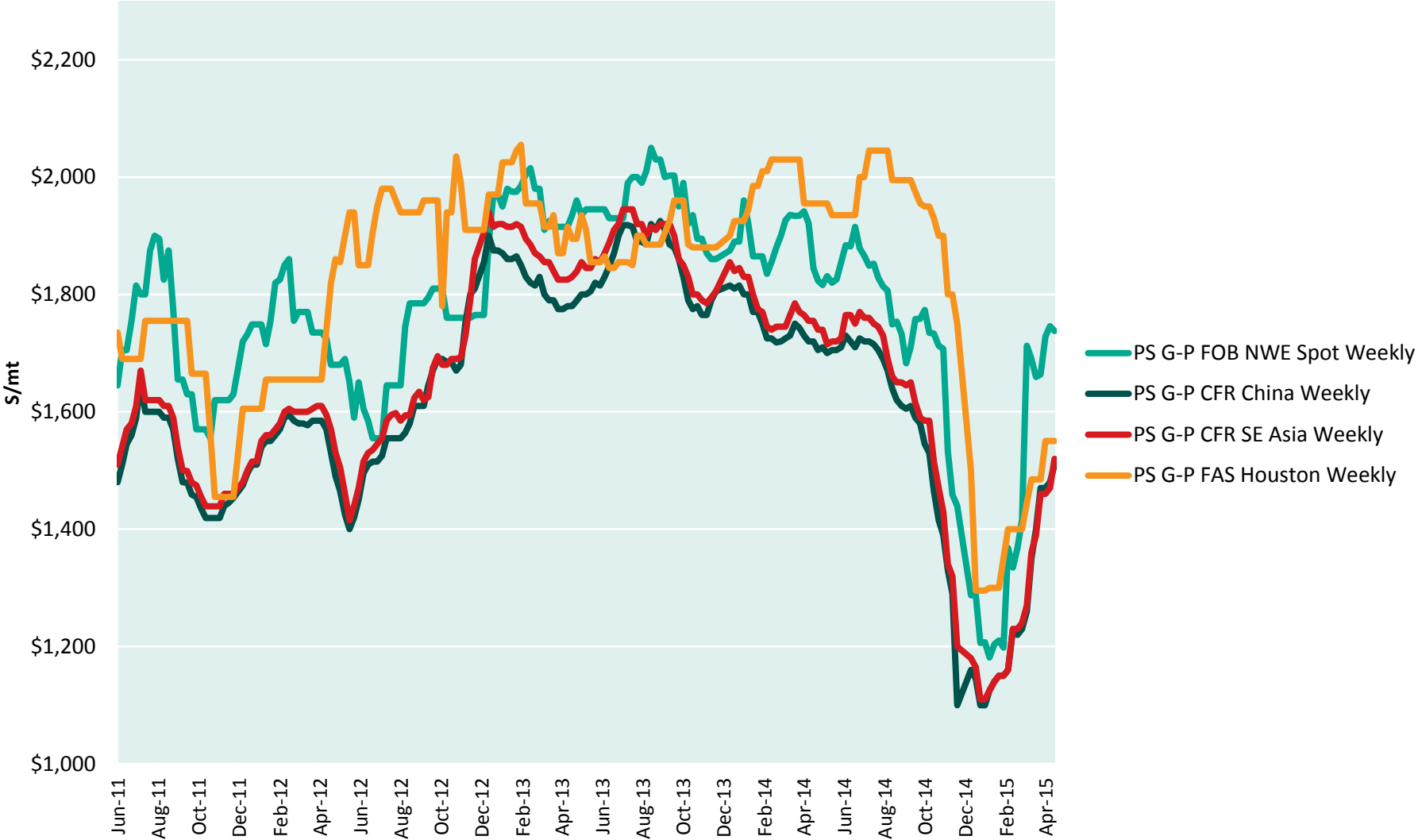
Source: Platts

PVC: US cost advantaged



Source: Platts

Polystyrene: Asia setting market



Source: Platts

- South America is net short polyethylene and expansions in North America will help fill that void over the next decade
- Lower oil prices have made naphtha-based ethylene producers more competitive with shale gas-based producers
- Even with greater North American reliance on ethane, naphtha will remain the global price setter for PE
- US producers are attempting to increase polypropylene margins to help justify new expansions
- Global polymer prices have applied pressure on US export prices, however weaker feedstock costs keep margins little changed.

Gracias! Thank you!

Let's stay in touch regarding the markets

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