

Latin American petrochemical sector feels the effect of US shale gas

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Ripples from the US shale gas phenomenon are expanding outwards. And no market will feel the impact more than major trading partner Latin America. As new US crackers using cheap ethane come on line in the years ahead, along with expansions to existing crackers, and restarts due to arrive even sooner, expect greater volumes of US exports of polymers to Latin America. All the buzz at the Latin American Petrochemical Association (APLA) annual meeting was about US shale gas and its impact. Extreme competitive pressure sharpens the focus. In Latin America, large-scale petrochemical projects based on gas, such as Mexico's Ethylene XXI, are the most likely to be built. That project's price formula for ethane feedstock from state-owned oil company Pemex is based on US ethane prices at Mont Belvieu. It is questionable whether such a formula could work for the Comperj project in Brazil, which is planned by Braskem using feedstock from state-operated oil company Petrobras. The companies, along with government officials are in negotiations. But a Petrobras executive noted at APLA that they are trying to find a solution "beyond the price of inputs". Not simple, he said.

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