

VAM players see limited impact from INEOS closure

DATE : 2013-10-25

The closure of INEOS' plant in the UK and Celanese's facility in Spain will cut supplies but imports will rise. "Structurally the market is long and will remain long. I do not think there is going to be a big impact on the European market". Several participants in the vinyl acetate monomer (VAM) market expect the closure of INEOS's Hull VAM plant in the UK to have only a limited impact on the European market.

Speaking on the sidelines of the 47th annual European Petrochemical Association (EPCA) meeting, a reseller of Asian material said that news of the closure had not come as a surprise, given the producer's cost issues and previous technical problems.

VAM imports will increase as a result, the source said, and should be sufficient to satisfy demand, which is not especially high. However, the reseller noted that imports from the US and Saudi Arabia will not be enough. "I see an option in Asia", the source said, adding that "what is clear to me is that prices for VAM are going north."

A buyer in southern Europe said that the closure of the Hull plant alone would not have a major impact, but the potential closure of Celanese's plant in Tarragona, Spain, would mean a combined loss of 350,000 tonnes/year of VAM sales into the European market.

Celanese announced in May that it was seeking buyers for its 200,000 tonne/year VAM plant in Tarragona, explaining that its strategy favours integrated production sites that provide economies of scale.

"Next year could be very messy for VAM. Not because of price but because of supply," the buyer said.

Another buyer said the announcement was a surprise, considering that INEOS had invested heavily in the facility. A major consumer said that it was not especially concerned about the planned closure of the Hull unit.

"It's no surprise. The timing is more surprising," the source said, acknowledging that "there is a bit of a psychological impact."

"Structurally the market is long and will remain long," the source said. "I do not think there is going to be a big impact on the European market."

The VAM market has been well-supplied throughout 2013, with demand from many downstream sectors being lacklustre.

INEOS Enterprises announced on 4 October that it would close its Hull VAM plant with the loss of 18 jobs, saying that low-cost imports and a hostile trading environment made closure inevitable. The date on which the plant will cease operations was not disclosed. The plant has 300,000 tonnes/year of nameplate capacity. The producer explained in its statement that the VAM market has become increasingly targeted by cheap imports, mainly from Saudi Arabia and the US, both of which benefit from low-cost raw materials.

INEOS Enterprises acquired the plant from BP in April 2008. The unit was built in 2002 and was the first plant capable of producing 300,000 tonnes/year in a single train reactor.

SOURCE *Icis News*