

Europe set to lose half of its VAM production capacity

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In the space of a month, two major producers this year made announcements that set the scene for half of Europe's vinyl acetate monomer (VAM) capacity to be removed from the market. However, the response from consumers has so far been surprisingly muted.

On 4 October, INEOS Enterprises announced that it would close its 300,000 tonne/year VAM plant in Hull, the UK, with immediate effect.

"Low cost imports and a hostile trading environment made closure inevitable", the company said in a press release, noting that imports from Saudi Arabia and the US benefit from low-cost raw materials.

On 4 November, Celanese said it would launch a consultation on the potential closure of its 200,000 tonne/year VAM facility in Tarragona, Spain, after failing to find a buyer for the site.

Celanese had announced on 22 May that it was seeking buyers for the facility, prompted by a decision to focus on "integrated production sites that provide critical economies of scale."

The combined 500,000 tonnes/year of nameplate capacity for these two sites represents half of Europe's approximately 1 million tonnes/year of VAM production capacity, according to ICIS data.

The majority of buyers have shown little concern at the lost capacity, saying that they do not expect the increased dependence on imports to reduce availability, and do not anticipate any difficulty in finding alternative suppliers.

Consumers pointed out that the INEOS plant was operating at well below its total capacity, and Europe has long been structurally dependent on VAM imports.

In late December 2012, INEOS declared force majeure on VAM supplies from its Hull plant, with customers being placed on supply allocation.

The force majeure was lifted on 7 February, having had only a marginal market impact on account of the prevailing good supply.

VAM availability has remained good throughout 2013, aided by lacklustre performance in key downstream applications.

Many of these applications are linked to the construction or automotive industries, which have suffered on account of the poor macroeconomic environment in Europe.

Nevertheless, a sharp rise in imports recorded at the beginning of the year was sustained throughout the first three quarters of 2013.

[blocked URL](#) According to European statistics agency Eurostat, a total of 264,196 tonnes of VAM was imported into Europe during 2012.

In the first nine months of 2013, imports totalled 283,716 tonnes. This represents a rise in the average monthly import volume of almost 10,000 tonnes.

On 3 October, US VAM producer LyondellBasell announced that it had signed a ten-year agreement with Oiltanking Stolthaven Antwerp for the storage and handling in Antwerp of VAM and its principal feedstock, acetic acid.

As part of the agreement, Oiltanking Stolthaven will invest in new stainless steel storage capacity and rail loading infrastructure.

"[Glacial acetic acid] and VAM are industrial chemicals that are in high demand. Europe has an increased need for these imports. This agreement allows us to solidify our commitment to the European acetyls market," said Justin Hommes, LyondellBasell's marketing manager for acetyls in Europe.

LyondellBasell produces acetic acid and VAM at its highly integrated LaPorte facility in Texas, US, where it has access to ethylene derived from shale gas. The VAM unit has a nameplate capacity of 317,500 tonnes/year, while the acetic acid plant has a capacity of 544,000 tonnes/year, according to ICIS data.

Other major sources for VAM imports include Saudi Arabia's International Vinyl Acetate Co (IVC), which has a nameplate capacity of 330,000 tonnes/year, and Dairen Chemical Corporation's new 350,000 tonne/year plant on Jurong Island, Singapore.

Dairen began commercial production at its Singapore plant in May 2013, and counts Europe among its target export markets. The Singapore plant was built for export and the company operates two other VAM plants in Mailiao, Taiwan, with a combined production capacity of 650,000 tonnes/year.

The structural shift in favour of VAM imports has been paralleled by similar developments in the acetic acid market, with captive producers choosing to idle their plants and buy imports instead.

Currently, the only large-scale acetic acid plant operating in Europe is BP's 532,000 tonne/year facility in Hull, which formerly supplied INEOS's VAM plant at the same site.

The BP plant comprises two acetic acid units, one of which is a swing unit that can also produce acetic anhydride.

Speaking in early November, Nick Elmslie, chief executive of BP's petrochemicals business, said that returns for acetic acid at Hull should be acceptable for the next three years.

Market sources said that acetic acid supplies in Europe have not increased noticeably since the closure of the INEOS VAM plant.

While there is no immediate prospect of VAM import volumes exceeding domestic production, as in the case of acetic acid, Europe's inability to compete with cheap and plentiful overseas material means that the market's dependence on imports will continue to increase next year.

SOURCE *ICIS News*