

# Shutdowns bolster Europe styrene market

Date: January 14, 2015

Continuing unplanned production shutdowns will help European styrene prices maintain a strong premium over benzene into 2015, even as outright prices for both materials decrease on the spot market as a result of lower upstream energy market prices.

In the second half of 2014, styrene's spot premium to benzene — its main feedstock alongside ethylene — averaged \$290/t and reached a high of \$540/t in November. That is a sharp change from the first half of the year when the premium sank close to \$100/t and averaged \$220/t.

The explosion and subsequent shutdown of the Ellba 550,000 t/yr styrene unit at Moerdijk in June gave an initial lift to styrene prices but the market remained relatively well supplied until Shell's 450,000 t/yr styrene unit at the same site shut down in October because of a steam leak affecting the entire site. Planned maintenance at the 550,000 t/yr BASF styrene unit in Ludwigshafen, in November and December, tightened supply further.

After hitting the November peak, the styrene to benzene premium retreated with the help of US spot imports as the arbitrage widened. US imports rose to average around 50,000 t/month in the second half of the year, from 40,000 t/month in the first half. The spot arbitrage closed in December as the impact of falling feedstock prices left traders unwilling to take the risk on further price declines, but is expected to reopen in the first quarter to cover European production shortfalls and stronger demand as buyers' ability to defer orders waiting for styrene prices to find a floor is reduced.

The Shell Moerdijk unit restarted on December 18, but the larger Ellba unit will not restart until at least the second half of 2015, helping to maintain European styrene at a relatively strong \$300/t premium to benzene for the first six months of the year.

European styrene demand is expected to start 2015 strong, with market participants restocking following the end-of-year reduction of inventories. In addition, many will also be replenishing stock after sluggish demand through November and December as downstream producers reduced output while waiting for styrene prices to reach a floor.

Demand in February is expected to be somewhat quieter than January, with much of the restocking completed, but is due to rise again by March in preparation for the spring turnaround season with at least one styrene unit in the Netherlands down in March.

Source: Dewit website