OPIS Europe LPG & Naphtha Report

A Daily Report on Europe LPG and Naphtha Spot Prices with News and Commentary

7 February 2017

ICE Brent Futures at 16:30

Brent Crude Oil ($/bbl)		
Month	Price	Change
APR	54.93	-1.19
MAY	55.29	-1.21
JUN	55.62	-1.22

Energy Futures at Settlement

WTI Crude Oil ($/bbl)		
Month	Price	Change
MAR	52.17	-0.84
APR	52.78	-0.85
MAY	53.30	-0.86

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NWE PROPANE SPOT TRADE LOSES STEAM WITH OIL, U.S., EAST

Northwest European propane prices drifted further off last week's 26-month high, as international propane benchmarks sent weaker signals with lower crude oil. Meantime, physical buy ideas lost intensity after an end user had briefly flagged its intent to resell.

Bal. February swaps were gauged in the 4:00-4:30pm GMT timeframe $10/t lower day-on-day at $445/t, weighed down by the fall of Brent April futures through $55/bbl.

The continued sell-off of Mont Belvieu February paper, and with it the consolidation of sizeable discounts (-$45/t by the close), added to bearish undercurrents, as did sharp price drops East of Suez, where bets on Saudi Aramco's posted March FOB price descended to as low as $470/t, down $19/t from the previous close and implying a $40/t cut from the current price.

The resilience of the bal. February/March spread, which widened in late afternoon trade to as much as +$27/t, was partly due to the relative weakness of the month ahead, although the appearance of more physical trader shorts meant that upward pressures persisted on the very prompt.

Monday's buyer from a Geneva-based trading firm exhibited another 17-21 February ToT short to fill, at $450/t and a $2/t discount to February, which equated to $446.5/t or a $1.5/t premium to marker paper.

A day ago, when Brent futures had traded about a dollar higher, the company had bought front-end tons at $472/t, back then a hefty $17/t premium to paper.

A rival trading house was bolder, bidding at a fixed price of $450/t for the same date, marking +$5/t to paper.

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OPIS LPG Settle Prices ($/mt)

Location	Low	High	Mean	Change	MTD Avg
Propane CIF ARA (FoF Cargoes)	450.00	454.00	452.00	-10.00	469.400
Butane CIF ARA (+4,000mt)	470.50	474.50	472.50	-11.50	480.600
Propane FOB Med	573.00	577.00	575.00	0.00	563.000
Butane FOB Med	593.00	597.00	595.00	0.00	593.400

OPIS CIF ARA Propane Swaps ($/mt)

	Mean	Change
Balance February 4:00-4:30pm	445.00	-10.00
Physical-Paper Differential	+7.00	0.00

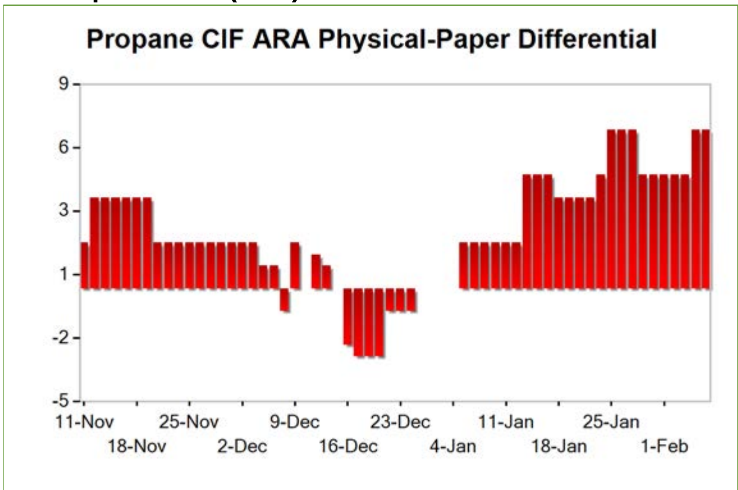
OPIS LPG Mont Belvieu Snapshot ($/mt)

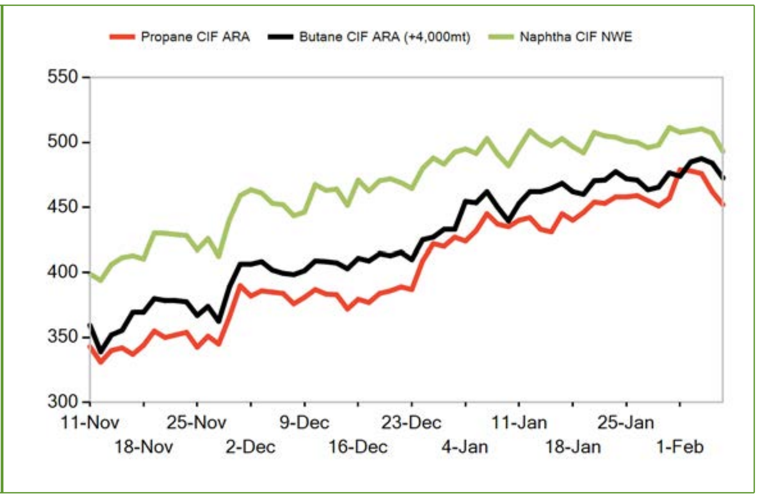
Location	Mean	Change	MTD Avg
Mont Belvieu Non-TET Propane	408.33	-18.89	454.052
Mont Belvieu Non-TET Butane	506.23	-27.18	571.007

OPIS Naphtha Settle Prices ($/mt)

	Mean	Change	MTD Avg	Diff to Flat Price
Naphtha CIF NWE (4:00-4:30pm UK time)	493.00	-14.00	505.450	-- --
Open-Spec Naphtha	493.00	-16.75	507.900	0.00
Paraffinic Naphtha	500.00	-14.00	514.650	7.00

OPIS Spot Prices ($/mt)





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OPIS Global Spot LPG Prices ($/mt)

	Date	Propane Price	Propane Change	Butane Price	Butane Change
CIF ARA	7-Feb-2017	452.00	-10.00	472.50	-11.50
CFR Japan	7-Feb-2017	498.75	-31.25	543.50	-33.50
Mont Belvieu Non-TET	6-Feb-2017	442.85	-34.52	552.09	-56.63
FOB Arab Gulf	7-Feb-2017	485.00	-27.00	575.00	-27.00

OPIS 44,000mt VLGC Freight Rates ($/mt)

Route	Rate	Change	NWE C3 Netback	NWE C4 Netback
AG - Japan	29.50	-0.50	-	-

Route	Rate	Change	NWE C3 Netback	NWE C4 Netback
USGC - NWE	30.00	-2.00	422.00	442.50

February LPG Posted Prices ($/mt)

	Propane Price	Propane Change	Butane Price	Butane Change
Saudi Arabia FOB	510.00	+75.00	600.00	+105.00
Algeria FOB	440.00	+40.00	500.00	+70.00
North Sea	437.00	+50.50	450.50	+47.50

OPIS End of Day NWE Forwards Prices ($/mt)

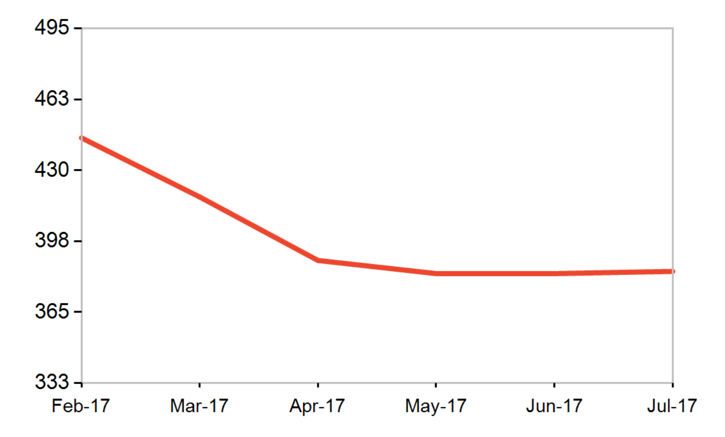
Month	Min	Max	Mean	Change	Time Spread	Pro/Nap	Naphtha	Change
FEB 2017	443.00	447.00	445.00	-13.00	+27.00	-47.00	492.00	-12.00
MAR 2017	416.00	420.00	418.00	-16.00	+29.00	-70.00	488.00	-12.00
APR 2017	387.00	391.00	389.00	-14.00	+6.00	-95.00	484.00	-11.00
MAY 2017	381.00	385.00	383.00	-14.00	0.00	-98.00	481.00	-10.00
JUN 2017	381.00	385.00	383.00	-12.00	-1.00	-95.00	478.00	-10.00
JUL 2017	382.00	386.00	384.00	-11.00	-4.00	-91.00	475.00	-10.00
AUG 2017	386.00	390.00	388.00	-11.00	-4.00	-85.00	473.00	-11.00
SEP 2017	390.00	394.00	392.00	-11.00	-4.00	-81.00	473.00	-10.00
OCT 2017	394.00	398.00	396.00	-12.00	-5.00	-77.00	473.00	-10.00
NOV 2017	399.00	403.00	401.00	-12.00	-5.00	-71.00	472.00	-10.00
DEC 2017	404.00	408.00	406.00	-11.00	+5.00	-66.00	472.00	-10.00
JAN 2018	399.00	403.00	401.00	-9.00	+4.00	-69.00	470.00	-10.00
FEB 2018	395.00	399.00	397.00	-8.00	-- --	-72.00	469.00	-10.00
Q1 2017	429.00	433.00	431.00	-15.00	+46.00	-59.00	490.00	-12.00
Q2 2017	383.00	387.00	385.00	-13.00	-3.00	-96.00	481.00	-11.00
Q3 2017	386.00	390.00	388.00	-11.00	-13.00	-86.00	474.00	-10.00
Q4 2017	399.00	403.00	401.00	-11.00	+5.00	-71.00	472.00	-10.00
Q1 2018	394.00	398.00	396.00	-8.00	-- --	-73.00	469.00	-9.00
CAL 2017	397.00	401.00	399.00	-12.00	+16.00	-79.00	478.00	-11.00
CAL 2018	381.00	385.00	383.00	-8.00	-- --	-78.00	461.00	-8.00

OPIS Global Propane Forward Prices ($/mt)

Month	Belv.	Change	Arb	CP	Change	FEI	Change	E/W
FEB 2017	400.00	-26.00	-45.00	-- --	-- --	490.00	-24.00	+45.00
MAR 2017	361.00	-15.00	-57.00	472.00	-17.00	458.00	-18.00	+40.00
APR 2017	336.00	-13.00	-53.00	443.00	-11.00	429.00	-14.00	+40.00
MAY 2017	334.00	-13.00	-49.00	421.00	-7.00	419.00	-12.00	+36.00
JUN 2017	335.00	-13.00	-48.00	407.00	-5.00	416.00	-9.00	+33.00
JUL 2017	338.00	-13.00	-46.00	402.00	-5.00	417.00	-10.00	+33.00
AUG 2017	341.00	-13.00	-47.00	405.00	-5.00	420.00	-10.00	+32.00
SEP 2017	345.00	-13.00	-47.00	409.00	-5.00	424.00	-11.00	+32.00
OCT 2017	349.00	-12.00	-47.00	412.00	-6.00	428.00	-12.00	+32.00
NOV 2017	353.00	-12.00	-48.00	416.00	-6.00	433.00	-11.00	+32.00
DEC 2017	356.00	-12.00	-50.00	419.00	-7.00	437.00	-12.00	+31.00
JAN 2018	359.00	-11.00	-42.00	420.00	-10.00	437.00	-10.00	+36.00
FEB 2018	354.00	-13.00	-43.00	411.00	-3.00	428.00	-8.00	+31.00
Q1 2017	381.00	-20.00	-50.00	472.00	-17.00	474.00	-21.00	+43.00
Q2 2017	335.00	-13.00	-50.00	423.00	-8.00	421.00	-12.00	+36.00
Q3 2017	341.00	-13.00	-47.00	405.00	-6.00	420.00	-11.00	+32.00
Q4 2017	352.00	-13.00	-49.00	416.00	-6.00	433.00	-11.00	+32.00
Q1 2018	348.00	-14.00	-48.00	409.00	-4.00	427.00	-9.00	+31.00
CAL 2017	350.00	-14.00	-49.00	420.00	-8.00	434.00	-13.00	+35.00
CAL 2018	333.00	-13.00	-50.00	392.00	-3.00	413.00	-9.00	+30.00

OPIS 6-Month Forward Curve ($/mt)

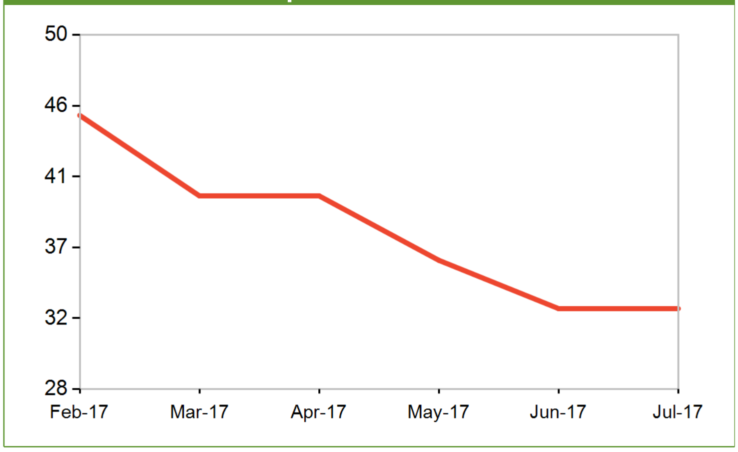
Propane



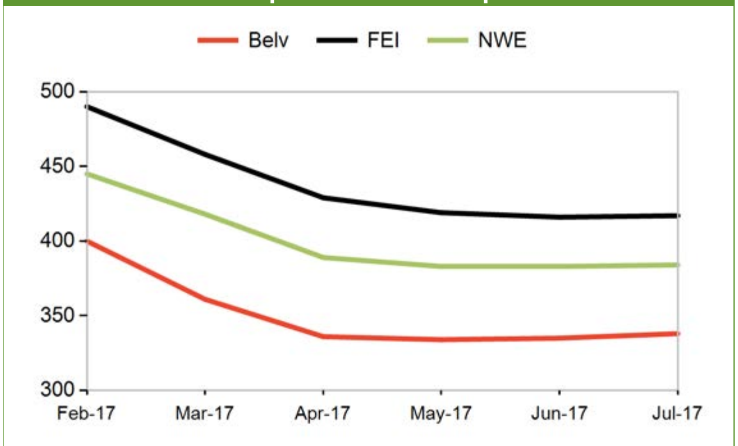
Propane/Naphtha

Propane Arb

Propane East / West



Propane Global Swaps



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The petrochemicals maker that had shown U.S.-origin tons off the VLGC Corvette for 20-22 February delivery in Monday's session made no reappearance. The vessel was observed on water, trailing the VLGC Hellas Glory to the same Dutch destination.

Whilst it was unclear whether a resale from the cracking pool was still in the cards in backstage trade, comparatively wider propane/naphtha spreads (of -$47/t for February and -$70/t for March by the close) suggested that the latest peak for resale margins had passed.

"I think yesterday's levels at flat price were a lot more interesting for them," an industry source said, pointing to optimization thoughts.

OPIS assessed the spot-paper premium for FoF spot cargoes at a steady +$7/t, considering that four days of the 15-25 forward-day pricing range fell into March.

Whilst the lower bids hinted to a relaxation of demand-supply fundamentals, the visibility of March inflows from overseas sources was still low. "Too early to tell actually for March," a trader quipped.

On the short-haul supply front, it emerged that the Clipper Jupiter (ex-Mongstad) had deviated from its original course

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OPIS Europe LPG & Naphtha Report Methodology

OPIS assesses daily spot propane and butane and naphtha prices at the key trading hubs in northwest Europe and the Mediterranean. Editors record and confirm deals, bids and offers, analyse supply and demand fundamentals, and gauge market sentiment and outlook. Prices are quoted in US dollars per metric ton. Times quoted are that of the United Kingdom.

In the northwest European propane market, OPIS assesses cargoes cif basis Flushing for 15-25 days forward delivery.The quantity, grade and quality, delivery and nomination terms are as per the industry standard FoF (fifteen-days notice of a five-day delivery window) contract for the current year, or other forward delivery contract widely accepted by the market, provided the dates fall into the same range.

Butane prices are for field grade mixed butane cargoes above 4,000mt delivered 5-20 days forward basis cif ARA.

The cargo quantity considered for assessment is between 19,400-23,100 metric tons in seller's option, as per FoF contract.

In the Mediterranean, OPIS assesses field grade and refinery grade propane and butane fob basis Lavera 5-15 days forward. Cargo sizes are 1,500mt and above.

The physical flat naphtha price assessment is based on public physical spot deals transacted between 4:00-4:30pm London time. The delivery period assessed is a forward 10-25 delivery window basis CIF NWE, also termed CIF Rotterdam. The typical cargo size for assessment purposes will be in the range 12.5-25kt and deals done in larger volumes may at times be included at the discretion of the editor.

OPIS assesses on a full day basis for the Open Spec and for Paraffinic grade (LVN) naphtha (basis min 80% paraffins).

For further details on the LPG or naphtha methodology see www.opisnet.com/about/methodology.aspx

OPIS contacts a cross-section of market participants daily. Information published is according to the best available data on the day and is subject to change. Please direct any enquiries to energylpedseurope@opisnet.com

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(Teesside) to carry part cargoes to two Swedish outlets. Accordingly, the current call at Stenungsund was described as discharge of Norwegian tons, and not – as earlier reported – a withdrawal of tons from Karlshamn.

In the NWE butane segment, large cargoes held on to 96% of naphtha, while delivered coasters crept to a high 90s percentile in active trade, which produced at least three deals: one basis ARA and another two outside, with freight-adjusted levels to match.

At Norway's Karsto terminal, FOB normal butane was heard talked around $500/t, without a deal. This was seen as largely aligned with seasonal levels, but also additionally bolstered by Morocco's pull of tons, among other factors.

Discussions were starting to pick up in the FOB U.S. Gulf Coast propane market after last week's tumult as Mont Belvieu values continued to come off.

"I think confidence is building," said one source, with arb spreads stabilizing Tuesday.

However, margins were seen as not good enough, yet. "I'm still waiting for more cancellations or deferrals in March," another source commented.

Tentative buying interest was heard for March, particularly for other non-TET (Targa) tons as that location has flipped to a 1.5-2cts/gal discount to non-TET (Enterprise) since the start of the month.

Shipping activity remained slow with most stems in first-half March heard covered, and Eastern demand still too early to gauge for second-half March loaders, according to one source.

Offers for Houston-East via Panama basis were heard in the low $50s/t to high $60s/t, while potential trader re-lets pushed Houston-Flushing ideas down to about $30/t, improving returns for Europe.

OPIS kept propane resale differentials unchanged at 5.0-6.0cts/gal.

NWE NAPHTHA LESS ATTRACTIVE FOR FEEDSTOCK POOL

In NW Europe, the naphtha flat price tumbled on weaker Brent, though cracks held more or less steady. Petrochemicals saw the cost advantage over propane begin to fade, as the spread between the two widened once more.

Meanwhile, a key load port in the Baltic was understood to be experiencing ice conditions.

Swaps appeared gripped by an illiquid market, prompting some deal focus to shift to the front month. March traded at $490/t inside the 4:00-4:30pm GMT timeframe, with February/March seen at +$4/t. February was marked notionally at $494/t.

The February crack spread improved by 20cts to end at $0.30cts/bbl, whilst March backed off 10cts to close at $0.40cts/bbl.

Physical trade saw a deal between two traders, for an 18-22 February delivery at $493/t. Outstanding interest remained from a Norwegian major seeking a 17-21 February delivery at $493/t and an offer from a U.K./Dutch major for an 18-22 February cargo at $495/t.

OPIS assessed the flat price at $493/t, down $14/t from the previous session.

Open-specification material was heard weaker by market

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sources Tuesday, moving to parity to the flat price, down from +$2.75/t. The differential for light-virgin material to the flat price was pegged at +$7/t.

EBOB cracks were down, with February losing 15cts to end at $9.75/bbl and March wiping 12cts away, ending at $9.88/bbl.

Tuesday, saw Brent slump by over a $1.20/bbl, taking naphtha and propane down along with it. This time, naphtha moved more than propane, in contrast to previous days. Compared to the end of January, naphtha was down by $18/t whilst propane was down by $5/t.

The price corrections for the respective feedstocks, were seen against a backdrop of agreed term monomer prices for February. The delivered naphtha price in Europe ended January up by $19/t, whilst propane ended the same timeframe higher by $30/t.

Continuing price spurts for propane into early February, pulled in the propane/naphtha spread, to the mid -$30s/t. For feedstock buyers, the result stands to prompt a swing away from propane to greater naphtha consumption.

The uptick in respective feedstock prices, prompted a rise in the agreed term monomer prices for February; ethylene was agreed at EUR 1,020/t (up by EUR 30/t), whilst propylene was agreed at EUR 815/t (up by EUR 45/t).

In shipping, an LR2 is expected to move a full naphtha cargo out of the eastern Baltic port of Ust Luga on 15 February, though rather than go to the Far East, she may return. The destination of the Ice-Class Zahr Amurskiy was suggested to be Kalundborg in Denmark, from where the ship is likely to discharge via ship-to-ship transfer and then make her return to the Baltic.

The sea condition is currently marked as class-one ice accretion in the Gulf of Finland and surrounding areas, therefore limiting transit to suitably strengthened ships.

In the Near East, a couple of tenders awarded for Indian-origin product were seen by OPIS Asia, as well as good interest for 2H March cargo into Korean petrochemical outlets.

The East/West spread widened to +$14.50/t for February, wider by 75cts/t, whilst March trimmed 25cts to +$13.25/t.

NWE LPG IMPORTS

FEBRUARY

- Mathraki, ex-Marcus Hook, ldg 13-15 Feb, 12kt C3, dest Europe**
- Umm Laqhab, ex-Houston, ldg mid-Feb, 46kt C3, dest NWE 2H Feb
- Sibur Voronezh, ex-Ust Luga, ldg around 21 Feb, 11.5kt C3, dest TBD**
- Sibur Tobol, ex-Ust Luga, ldg around 19 Feb, 10.8kt C3, dest TBD**
- Navigator Libra, ex-Ust Luga, ldg mid-Feb, 11.2kt C3, dest TBD**
- Navigator Leo, ex-Ust Luga, ldg mid-Feb, 12.1kt C4, dest TBD**
- Hellas Glory, ex-Houston, ldg late-Jan, est. 46kt C3, ETA Terneuzen 15 Feb
- Corvette, ex-Targa, ldg 31 Jan-4 Feb, 46kt C3, dest Terneuzen (part cargo briefly offered 20-22 Feb)
- Sibur Voronezh, ex-Ust Luga, ldg after 8 Feb, 11.5kt C3, dest TBD**
- Navigator Libra, ex-Ust Luga, ldg after 7 Feb, 11kt C3, dest TBD**
- Sibur Tobol, ex-Ust Luga, ldg after 6 Feb, 11kt C3, dest TBD**
- Navigator Leo, ex-Ust Luga, ldg 1-3 Feb, 8.2kt C4, ETA Le Havre 8 Feb
- Clipper Moon, ex-Marcus Hook, ldg 28 Jan, 34kt C3, arr (1) Le Havre 7 Feb, ETA (2) Antwerp 2H Feb
- Sibur Tobol, ex-Ust Luga, ldg 29 Jan, 11.5kt C3, arr Stenungsund 3 Feb
- Sibur Voronezh, ex-Ust Luga, ldg after 26 Jan, 11.5kt C3, arr Antwerp 2 Feb

NWE LPG EXPORTS

FEBRUARY

- Polar, ex-Karsto, ldg around 8 Feb, 34kt C3, dest Lavera**
- Epic Barbados, ex-NWE ports, ldg 7-9 Feb, 4kt C4, dest Morocco**
- Navigator Genesis, ex-Stenungsund, ldg 5-6 Feb, up to 12-13kt C4, ETA Morocco (Jorf Lasfar) 11 Feb
- Epic Borkum, ex-Flushing, ldg 5-7 Feb, 4kt C4, ETA Sines 11 Feb
- Tenacity IV, ex-Snovhit+Karsto, ldg end-Jan/early Feb, 23kt C3, 23kt C4, dest Turkey mid-Feb**
- Kisber, ex-Stenungsund, ldg 1-3 Feb, est. 4kt C4, ETA Morocco (Mohammedia) 9 Feb

** Unconfirmed

BP DETAILS ROUGH QUARTER, TRADING LOSS; OPIS SOURCES SEE U.S. EXPANSION

BP disappointed global investors today with earnings that fell far shy of expectations, and that included a fourth-quarter trading loss and a $70 million hit thanks to an unidentified court ruling. But OPIS sources say that with most of the Deepwater Horizon debacle in the rear-view mirror, the company is eyeing a broad expansion in its downstream marketing in the U.S., including acquisitions of some chains, and even a possible return to direct retail operations in certain markets.

One of the highlights of the last quarter for BP in 2016 was the purchase of a 500-site chain in Australia from Woolworths. OPIS sources say that BP is looking at various size deals in the U.S., although it's not clear whether the company wants to move branded gasoline, unbranded gasoline, or actually take the bold step of acquiring another brand. Reliable sources say that BP has held at least preliminary talks with the owners of the Gulf brand, and the company has also had talks to acquire what used to be known as the "assured dealer" division of Gulf, where that company held mostly ExxonMobil contracts in the New York area. That business is now owned by wholesale/retail roll-up PMG, and many of the sites could be rebranded to

BP within two years.

Future plans in the U.S. to some extent appear to take a page out of Marathon's playbook. BP wants more dedicated gallons for its branded and unbranded business, particularly on the East Coast. The company has been talking to marketers in New England for about a year, eliciting interest in bringing the brand back in a major fashion. Sources tell OPIS that plans are for BP to throughput gasoline at the Sprague terminal in Providence, once some of the distillate storage is converted to handle gasoline. All of these deals would put BP on better footing in the Renewable Identification Numbers (RINs) business, where compliance purchases cut into refining margins.

The Southeast is also earmarked as an area for widespread return of BP. The non- compete covenant with Marathon, which was created when Marathon bought the Texas City refinery (now known as Galveston Bay) and associated downstream wholesale contracts will expire in 2018. BP personnel have been showing up at Southeastern trade shows within the last year, puzzling some marketers who note that the refiner has little current presence in the region.

Eastern states might also be targeted as logistics are built out to move cheap Midwestern product to Northeastern states via new pipelines. BP's Whiting, Ind., refinery has access to some of the cheapest crude oil in the world, but execs have always worried about having enough channels to move barrels when the plant is operating close to capacity. The joint-venture refinery with Husky in Ohio is also a source of plenty of gasoline and diesel that could move eastward.

One other major selling point for an expansion of BP-branded and unbranded gasoline sales is the leverage it affords the trading segment. In recent years, BP has aggressively courted huge chunks of Costco business, even though that has occasionally angered its jobbers. The trading segment likes "having a large short," in the form of guaranteed downstream business with which to dispose of barrels procured or blended on the spot market. Additional term business on the East Coast would help the company in its North Atlantic trading business.

Trading had an atypical poor performance for BP in the fourth quarter of 2016, and the company also disclosed that it lost some $70 million in a court decision. There is some belief that the loss might have involved the Come-by- Chance refinery in Newfoundland. BP had a supply wraparound deal with the operators of that refinery that ended with a lengthy lawsuit. However, the major is willing to do similar crude supply and offtake deals with other refiners in virtually every part of the world.

OPIS asked BP for details on a number of the expansion efforts, but BP withheld specific comment other than to say that the company "is always looking for opportunities to grow our branded and unbranded business."

STATOIL TARGETS MORE COST SAVINGS AFTER LOSSES IN FOURTH QUARTER

Statoil is seeking an extra $1 billion of savings this year after posting another loss in the fourth quarter, partly because of a huge impairment charge on its shale oil and gas assets in North America but also because of hedging losses, falling European gas prices and lower refinery production.

The Norwegian state-controlled oil company's net operating income slumped to a $1.9 billion loss in the last three months of 2016.

That was down from a $737 million profit in the third quarter, and a $152 million profit in the fourth quarter of 2015.

Revenues were bolstered by improving oil prices, rising to $12.75 billion over the last three months of 2016 from $12.1 billion in the third quarter, although this was still lower than the oil company's $13.1 billion revenue in the fourth quarter of 2015.

But there was a net impairment charge of $2.3 billion "mainly due to reduced long-term price assumptions with the largest effect being on unconventional onshore assets in North America, and unrealized losses on derivatives and inventory hedge contracts of $765 million."

Depreciation, amortization and net impairment losses jumped to $4.26 billion, up from a $2.46 billion loss in the third quarter and a $3.97 loss a year earlier.

Exploration costs also rose to $1.435 billion, more than double the $656 million costs in the third quarter of last year and the $480 million costs in the fourth quarter of 2015.

Statoil announced efficiency drives saved an extra $700 million last year above its target of $2.5 billion.

This year, the company is seeking an additional $1 billion this year from lower cost production as it adjusts to expectations of lower oil prices over the next few years.

The company said it has improved average break-even costs for its next generation portfolio before 2022 to $27/bbl.

That will provide an average internal rate of return of 25% with oil prices around $70/bbl.

"We have reset our cost base, transformed our opportunity set, and we continue to chase improvements. We have the financial capacity and are ready to invest in our next generation portfolio with radically improved break evens," said Eldar Saetre, president and chief executive.

Statoil reported a slight increase in production from its assets to 2.095 million boe/d in the fourth quarter from 2.046 in the same period during 2015.

