OPIS Asia Naphtha & LPG Report

A Daily Report on Asia Naphtha, LPG and Gasoline Spot Prices, plus News and Commentary

7 January 2019

Today's Outright Spot Naphtha Prices ($/mt)

Market	Low	High	Mean	Change
CFR JAPAN	474.125	475.125	474.625	7.750
CFR KOREA (Daesan-basis)	473.355	474.355	473.855	7.737
FOB SINGAPORE ($/bbl)	50.147	51.147	50.647	1.091
FOB ARAB GULF LR 1	439.959	440.959	440.459	7.649
FOB ARAB GULF LR 2	449.871	450.871	450.371	7.726

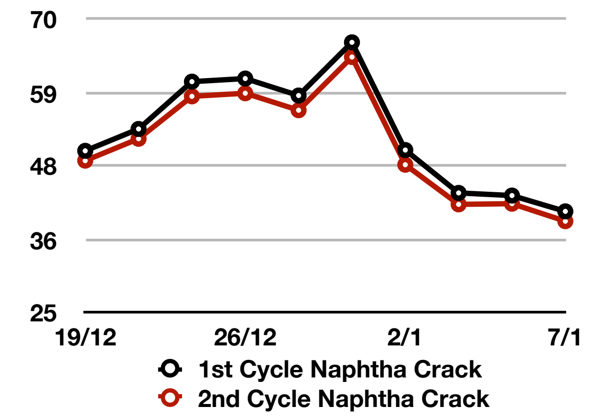
Spread/Differential ($/mt)

Price	Low	High	Mean	Change
NAP-BRENT CRACK	40.000	41.000	40.500	-2.425
INTER-MONTH SPREAD	4.250	5.250	4.750	3.250
CFR KR SPOT DIFFERENTIAL	-1.500	-0.500	-1.000	3.250
FOB AG SPOT DIFFERENTIAL	8.500	9.500	9.000	0.000

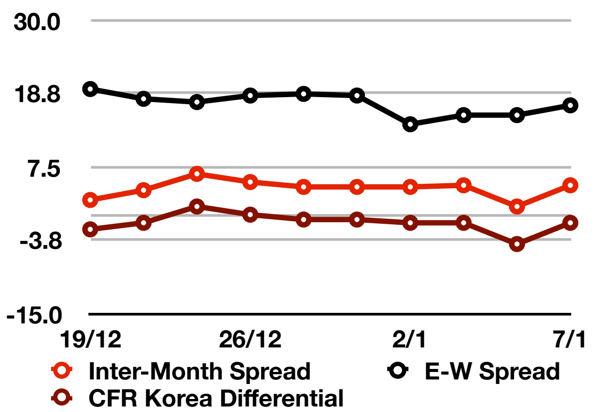
Naphtha Freight

Route	Value
SINGAPORE-JAPAN ($/bbl)	2.39
KOREA-JAPAN ($'000)	450.00
AG-JAPAN LR 1 ($/mt)	34.17
AG-JAPAN LR 2 ($/mt)	24.25
AG-JAPAN LR 1 (WS)	161.61
AG-JAPAN LR 2 (WS)	120.19

Naphtha Cracks



Naphtha Spreads



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- Nap cracks to Brent persistently dampening, relatively weaker Nap
- India's MRPL offers 35kt for loading over Feb 4-6, closes Wed
- Nap prices rebound on firmer crude, up $6.250-9.500/mt

Asian naphtha market rose on Monday, on the back of sharp increase in the crude oil prices as well as firmer buying sentiment in naphtha market.

The naphtha prices jumped $6.250-9.500/mt from last Friday, with notional values for H2 Feb lot ending at $477.750/mt, H1 Mar lot ending at $476.250/mt, while H2 Mar lot ending at $473.000/mt.

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NAPHTHA

The inter-month spread for H2 Feb/H2 Mar rose $3.250/mt over the same period at plus $4.750/mt.

During the afternoon window, H2 Mar was traded at $473.000/mt from BP to Total.

On FOB front, Mangalore Refinery and Petrochemical Ltd (MRPL) was said to have issued a tender selling 35,000 mt of naphtha for loading over Feb 4-6 from New Mangalore, which will be closing Wednesday and valid until Thursday.

In market analysis, naphtha cracks to Brent remained persistently dampened, pressured by relatively weaker market sentiment.

The naphtha cracks to Brent fell $2.425/mt over the same period at $40.500/mt, hitting the near one-month low.

The oversupply in the arbitrage volume from the west continued, with Jan-arrival arbitrage volume being estimated at around more than 2.0 million mt, which was similar level for the Dec-arrival cargoes.

In addition to this, active swap bids for propane/naphtha in the paper market was attributable to the relatively dampened naphtha market sentiment further.

"There was stronger buying sentiment for the LPG rather than naphtha over the last few days in the paper market, (which was further dented the naphtha market sentiment)," a trader based in Singapore said.

"Even if the overall LPG market this year seemed to be weaker than previous years, naphtha market looks more bearish than the LPG, (which also deteriorated the LPG cracking economics)," another trader based in Seoul said.

"Due the upcoming heavy cracker turnaround season in Asia from March until June, paper naphtha market is weakening already, however, it is unclear whether the weakness in the paper market will transferred to the physical market soon," a third trader said.

In fact, the new naphtha demand of around 372,187 mt looming from the new cracker and reformer is largely countered by the demand loss of around 531,125 mt due to the cracker shutdown in the Q1, OPIS calculation showed.

This led to the overall demand balance at around 158,938 mt long in the Q1.

Meanwhile, heavier cracker turnaround season in the Q2, when the naphtha feedstock demand loss estimated around 1.58 mil mt, will likely overwhelm the looming naphtha demand of around 472,500 mt from the new petrochemical complex.

As a result, the overall demand balance in the Q2 would be around 1.11 mil mt long, which might heavily weigh on naphtha market.

LPG

The Feb propane CP swaps value fell by $3.50/mt to $405.50/mt, and the Feb-Mar timespread narrowed to a backwardation of $5.00/mt.

In the CFR forward market, one deal was heard done on Monday.

In the H1 Feb delivery cycle, one deal for a 23,000-mt of propane parcel was heard done at a flat price to Feb Far East quotes, which worked out to be $425.00/mt.

In the H2 Feb delivery cycle, the highest bid was heard placed at a discount of $5.00/mt to Feb Far East quotes, which worked out to be $420.00/mt. The lowest offer was heard placed at a premium of $4.00/mt to Feb Far East quotes, which worked out to be $429.00/mt.

On the evenly-split and butane cargo front, no bids and offers were heard.

As a result, H1 Feb, H2 Feb and H1 Mar delivery propane were assessed at $425.50/mt, $424.50/mt and $423.50/mt, respectively, while LPG prices were assessed at $425.50/mt, $424.50/mt and $423.50/mt for the same respective delivery periods.

In Far East paper market, liquidity rose from end of last week.

“Timespreads have collapsed,” said one market source concerned about oversupply.

Another market player noted that a slew of offers for Feb delivery were seen during afternoon online trading, adding to concerns about the state of supply in the market.

Meanwhile, the Energy Information Administration (EIA) announced that U.S. propane/propylene inventories decreased by 1.5 million bbl to 70.7 million bbl for the week ending 28.Dec. Earlier OPIS poll estimated a fall of 1.4 million bbl.

U.S. propane/propylene exports recorded 0.934 b/d which was down by 0.312 b/d compared to the previous week, while U.S. production surged by 2.145 million bbl b/d.

According to OPIS US., Mariner East 2 (ME2) pipelines in USEC region came onstream partially as of 29, December 2018, while strong exports from USEC were seen in the previous week which is 170,000 b/d.

The ME2, a 350-mile NGL pipeline transports ethane, propane and butane from processing plants in Ohio across West Virginia and Pennsylvania to ETP’s Marcus Hook Industrial complex in Delaware Country, Pa., for domestic and waterborne markets.

On the shipping front, spot chartering rates for Houston to Japan via the Panama Canal were seen at around $59.00/mt. The freight rate for Middle East to Japan was seen at $33.53/mt.

GASOLINE

However, gasoline supply is still seen outpacing demand in the globe as U.S. gasoline inventories last week increased with Gulf Coast stockpiles reaching record levels while demand for the motor fuel was one of the weakest of 2018, the Energy Information Administration data showed.

The price assessments for Singapore 92, 95 and 97 RON gasoline advanced $1.634/bbl across the board to $59.747/bbl, $61.833/bbl and $63.296/bbl, respectively.

Singapore 92, 95 and 97 RON gasoline cracks widened by $0.044/bbl across the board to plus $1.447/bbl, plus $3.533/bbl and plus $4.996/bbl, respectively.

Three 92 RON gasoline cargoes were traded in the cash market.

Gunvor sold two Jan 22-26 cargoes to Unipec and Hin Leong.

Unipec bought one of the parcels at $59.70/bbl to Singapore quotes, which worked out to plus $9.47/bbl to naphtha quotes, while Hin Leong purchased the other at $59.90/bbl to Singapore quotes, which worked out to plus $9.67/bbl to naphtha quotes.

The Singapore energy company also bought a Jan 28-Feb 1 parcel at $59.80/bbl to Singapore quotes, which worked out to plus $9.65/bbl to naphtha quotes.

As a result, the spot differentials for the 92, 95, and 97 RON gasoline closed up $0.554/bbl across the board at premiums of $9.587/bbl, $11.673/bbl and $13.136/bbl to Singapore quotes.

On demand front, Sri Lanka's Ceylon Petroleum Corp (Ceypetco) is seeking 318,750 bbls of 92 RON gasoline for delivery over Feb 15-16 into the Dolphin Tanker Berth and the SPM Muthurajawela in Colombo, an official tender document showed.

The tender closes on Jan 16 with a validity for 72 hours, according to the invitation.

In November, Ceypetco had issued tenders seeking term gasoline cargoes for Mar-Oct 2019 delivery into Colombo, as reported earlier.

The first tender seeks a combination cargo of 750,000 bbls of 500ppm gasoil with 850,000 bbls of 92 RON gasoline.

The second tender seeks a combination cargo of 990,000 bbls of 500ppm gasoil with 1.87 million bbls of 92 RON gasoline and 654,500 bbls of 95 RON gasoline.

The tenders closed on Dec 7 and will be valid for two months, but further details on the term tenders were not available.

Ceypetco's latest spot demand was not enough to ease gasoline oversupply in Asia where demand is dwindling amid an economic slowdown and startup of new refineries.

Adding to softer demand, Vietnam did not import gasoline in the first half of December last year, the customs data showed.

That came as the country's new 200,000-b/d Nghi Son Refinery and Petrochemical LLC (NSRP) started commercial operations on Nov. 14.

The Southeast Asian country has been cutting gasoline imports in 2018 with intake of the gasoline in the first 11 months of the year down more than 30%.

On supply front, Egypt's Middle East Oil Refinery (MIDOR) offered up to 30,000 mt of 92 RON gasoline for loading over Jan 21-23 from Dekheila via a tender, trade sources said.

The tender closes on Tuesday and is valid until Friday, according to the sources.

MIDOR had offered up to 30,000 mt of 92 RON gasoline for loading over Jan 9-11 from Dekheila via a tender, but the results were not available.

CONDENSATE

- **Four 650kb Mar-lifting NWSC lots allocated to Mitusi, Woodside, BHP and BP**
- **Around two Feb-lifting NWSC done at $2.50/bbl to $3.00/bbl discounts to DTB**
- **Focus on upcoming resumption of SPC imports by key Asian players**

The Asian condensate market was mostly weaker on Monday, shrugging off firmer crude oil markets.

The near-term focus 0is on the expected resumption of Iranian South Pars condensate shipments to key buyers in Asia as well as the differentials for the Australian North West shelf condensate for Mar programs.

The differential for the Qatari deodorised field condensate (DFC) was assessed at $0.75-$0.85/bbl discount to Dubai quotes, while low sulfur condensate (LSC) was assessed at $1.55-$1.65/bbl discount.

The South Pars condensate (SPC) spot differential was assessed at $2.15-$2.25/bbl discount to Dubai quotes. The spot differential for Australian North West Shelf condensate (NWSC) was assessed at a discount of $2.50-$2.60/bbl to dated Brent.

In relation to the March-lifting NWSC program, four 650,000-bbl of Australian cargoes were heard to have offered.

They were allocated to Mitsui (Mar 3-7), Woodside (Mar 9-13), BHP (Mar 17-21) and BP (Mar 25-29), according to the market sources.

In market analysis, despite slight rebounds, the differentials for the Mar-lifting NWSC were expected to remain in the red, pressured by narrow Brent-Dubai Exchange of Futures for Swaps (EFS) and weaker naphtha cracks to Brent.

The naphtha cracks to Brent fell $2.425/mt from last Friday at $40.500/mt, hitting the near one-month low, while the Brent-Dubai EFS was slightly up $0.04/bbl over the same period at $1.32/bbl. But, it was down around 59% from a year ago.

The differentials for the NWSC have fallen sharply compared to levels seen in early

November, pressured by the prospects for a resumption of Iranian condensate supply to the Far East, as well as weakness in heavy full-range naphtha, a feedstock that can be used as an alternative to condensate.

As of Monday, no details of the Mar-lifting NWSC were unveiled.

With regards to the previous NWSC program for February-lifting, four 650,000-bbl lots were heard to have been offered, including one cross-month cargo rolled over from Jan-loading NWSC as it had remained unsold.

The four 650,000-bbl Feb-loading NWSC lots, including a cross-month cargo, were allocated to BP (Jan 30-Feb 3), BHP (Feb 7-11), Chevron (Feb 15-19) and Shell (Feb 21-25), according to market sources.

One market contact said last week that around two of the Feb-loading NWSC lots had been sold to end-users at around $3/bbl to $2.5/bbl discounts to Dated Brent, but, the further details were not confirmed as of the press time.

In relation to the Iranian SPC, there has been talk of barrels discussions between South Korean players and the National Iranian Oil Co during December, details such as when Iranian shipments of South Pars condensate to major Asian buyers will resume, and the latest pricing levels, were unclear as of press time.

S Korea imported 12.74 mil mt of SPC in 2017, which accounted for the country's 45% of the total condensate imports, according to data from Korea Customs.

S Korean end-users, who used to be Iran's largest buyers, have replaced the Iranian SPC with the US Eagle Ford, Norwegian condensate, heavy full-range naphtha (HFRN) and light crude since mid-2018.

Against this backdrop, market sources are expecting that the upcoming resumption of the SPC purchase by key buyers in Asia would likely to determine the condensate market in 2019.

S Korea and seven other nations, including China, India, Japan, Taiwan, Italy, Greece and Turkey, will likely to be granted waivers temporarily from the US Trump administration's sanctions, which came into effect on Nov 5, as OPIS reported.

The waiver will substantially moderate concerns from S Korean condensate splitters, which have switched their feedstock with alternatives, especially HFRN.

REFINING NEWS

The jointly held Saudi Aramco-Malaysia's Petronas the Pengerang Integrated Complex (PIC) in Joho, Malaysia, is preparing for official startup of Pengerang Petrochemical Co Sdn Bhd (PRefChem) subsidiary Pengerang Refining Co. Sdn. Bhd.'s 300,000-b/d refinery and petrochemical integrated development (RAPID) project.

Petrofac Ltd, a contractor of the project, said facility mechanical completion at PIC's RAPID project was achieved on Nov 29, 2018.

“All critical units under our scope have now commenced commissioning activities in advance of the fire up of the Crude Distillation Unit (CDU) in January 2019, which will then allow crude oil to enter the refinery,” Petrofac said in a statement.

In 2014, Petrofac won an engineering, procurement, construction and commissioning (EPCC) contract for a refinery package in the RAPID project including amine recovery units, sulfur recovery units, sour water stripping units, liquid sulfur storage unit, and sulfur solidification units.

As reported earlier, the $27 billion RAPID complex located between the Malacca Strait and the South China Sea, conduits for Middle East oil and gas bound for China, Japan and South Korea.

The RAPID’s refinery will produce a range of refined petroleum products, including gasoline and diesel, which meet Euro-V fuel specifications.

It will also provide feedstock for the integrated petrochemical complex, which is capable of producing 3.3 million mt/year of petrochemical products.

In South Asia, Pakistan’s talks with the United Arab Emirates (UAE) on setting up an oil refinery in Pakistan “reached their final stage” during the visit of the crown price of Abu Dhabi, media reported.

Sheikh Mohamed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi visited Pakistan on Sunday and met the country’s Prime Minister Imran Khan.

Pakistan’s information ministry said the Prime Minister welcomed the UAE’s interest in investing in Pakistan’s oil and gas, logistics, ports and construction sectors, although it did not elaborate.

The UAE in December decided to deposit $3 billion in Pakistan’s central bank to support the South Asian country’s monetary policy.

In addition, Pakistan is expecting to sign a deal with Saudi Arabia in February to construct an oil refinery, another media reported.

As reported earlier, Saudi Arabia has agreed in principle to invest in a new oil refinery in Pakistan’s Chinese-funded, deep-water port of Gwadar.

State-owned Pakistan State Oil (PSO) will partner with Aramco on the project, Pakistan Petroleum Minister Ghulam Sarwar Khan was quoted as saying.

In India, Haldia Petrochemicals Ltd (HPL) agreed to invest $8.6 billion in setting up refinery and petrochemical projects in Andhra Pradesh, Kakinada Special Economic Zone (SEZ), a domestic media reported.

The SEZ is located in the east coast of India.

HPL and the local government signed a memorandum of understanding (MOU) for the project, which is expected to be completed within five years in a phased manner, according to the media.

The report did not provide further details such as capacity.

Neither HPL nor the local government were immediately available for comment.

Local and foreign energy companies are expanding refining and petrochemical capacity to meet growing demand in India.

OPIS Naphtha Assessment Explanatory Sheet (ONAES)

Summary

7 Jan 2019

Cycle	OPIS Assessment	Using Japan Swaps Value	Using EW Spread	Using NWE Change	Using Brent Change
H2 Feb	477.75	478.75	478.75	477.75	477.75
spread	1.50	1.50	1.50	1.50	1.50
H1 Mar	476.25	477.25	477.25	476.25	476.25
spread	3.25	1.50	1.50	1.50	1.50
H2 Mar	473.00	475.75	475.75	474.75	474.75
Ref. Value	430.938	473.982	473.982	430.119	435.544

OSN Assessment Explanations:

1) **There is/are outright deal(s) traded in the OSN window today.**

2) **The deal-first principle determined that the assessment(s) to be as per the weighted average of the level(s) traded today.**

3) **Assessment values for the other half-month cycles will be obtained using the respective inter-cycle timespreads.**

4) **Since there is/are outright deal(s) done, there is no further need to use secondary reference points for assessment.**