



**How has the winter storm impacted  
US and global PE and PP dynamics?**

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**BY VEENA PATHARE & IZHAM AHMAD** FEBRUARY 2021

The recent spate of outages in the US as a result of the winter storm has disrupted supply for a host of commodities, leading to a surge in prices of crude and other products.

This is expected to tighten supply of polyethylene (PE) and prolong the US' absence from the international PE market, which is likely to be more significant than some other markets, given that the country is a major producer and exporter of PE.

The US has been mostly missing from the international PE markets since late Q3 2020, following disruptions to operations caused by back-to-back hurricanes.

Strong domestic demand and pending orders to fulfil continued to cap export availability from the US through early Q1 2021 as well.

This lent an advantage to Middle Eastern PE producers in markets such as Turkey and Africa, which typically see an influx of PE from the US.

HDPE regional forecast trade flow 2021 (in '000 tonnes/year)



## LLDPE regional forecast trade flow 2021 (in '000 tonnes/year)



Improved post-pandemic demand combined with a need to replenish stocks led buyers to seek product from the Middle East.

This also emerged at a time when demand in China had slowed, so Middle Eastern PE producers were able to divert allocations and realise higher netbacks than those prevailing in Asia.

This tight supply situation is poised to extend into March and possibly beyond as a second storm is gathering steam, and frigid temperatures are expected to continue.

For southeast Asia and China, the shutdowns in the US indicate that little US exports can be expected over the coming months.

Additionally, a 13 February earthquake in Japan caused some PE plants to shut, although typically Japanese producers do not actively or regularly export much PE to southeast Asia.

Still, these are likely to worsen already tight supply conditions, which have kept prices supported in Asia despite the slow demand stemming from the pandemic's impact on regional economies and downstream finished goods production.

"I feel like all US cargoes will be delayed," said a market source in southeast Asia. "The bad weather in the US coupled with the Japan earthquake feels like there is supply side pressure for the prices to go up."

However, the volume of US exports to China and southeast Asia has already declined over the last few months, as prices in Asia were deemed less attractive than



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destinations such as South America.

According to the ICIS Supply & Demand Database, imports of linear low-density PE (LLDPE) from the US to China in Q4 2020 were down by about 25% from the third quarter.

Most market players believe the immediate impact of all these outages on prices is likely to be limited partly because China, the main export market in Asia, has been closed for the Lunar New Year holiday.

Many also believe that given the absence of any other major overseas suppliers at the moment, Middle East suppliers would be in a strong position to decide on prices and so many were waiting for these producers to announce their offers for March shipments before making any decisions.

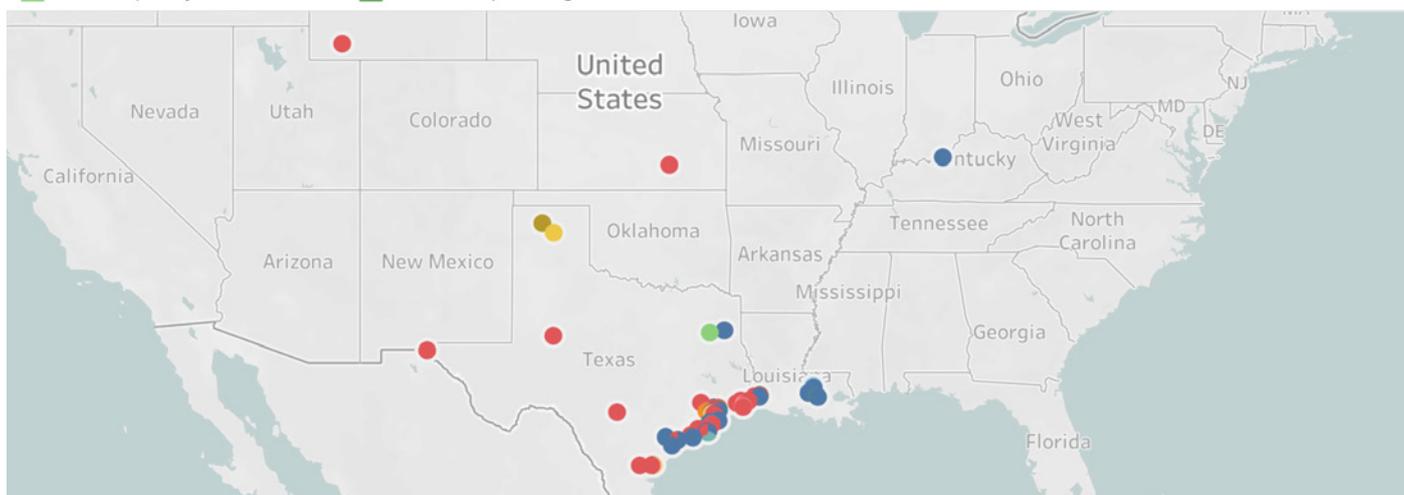
“When China comes back from their holiday, then they will start to look for product for

### Plants impacted by cold weather freeze in US

The storm has forced 23.9% of US chemical capacity offline (maps and graphs updated 4.30PM GMT 19 February 2021)

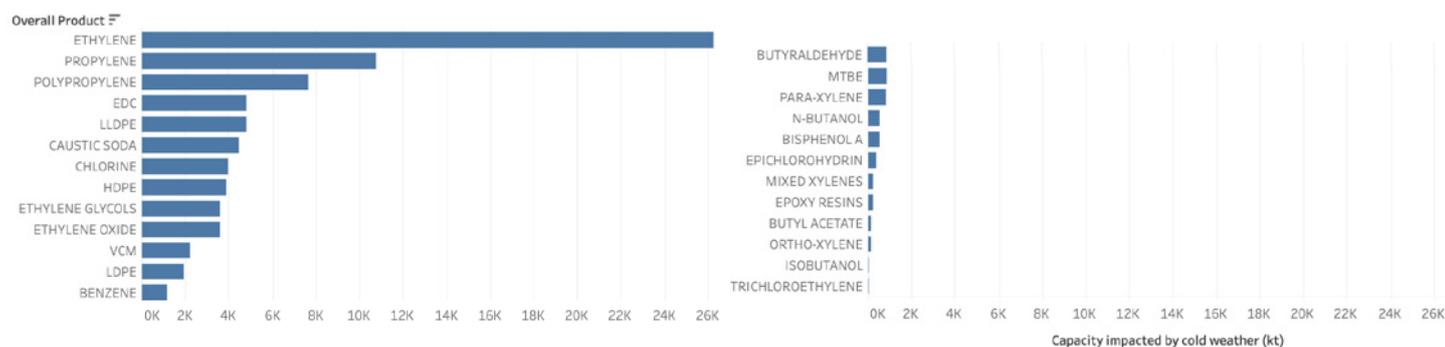
Plant status

- Allocation
- Curtailment
- Equipment trip
- Excess opacity
- Operating at minimum rates
- Power outage
- Production issues
- Reduced operating rates
- Flaring
- Force Majeure
- Leak
- Shutdown
- Unit upset
- Offline



### The products impacted in kilo tonnes

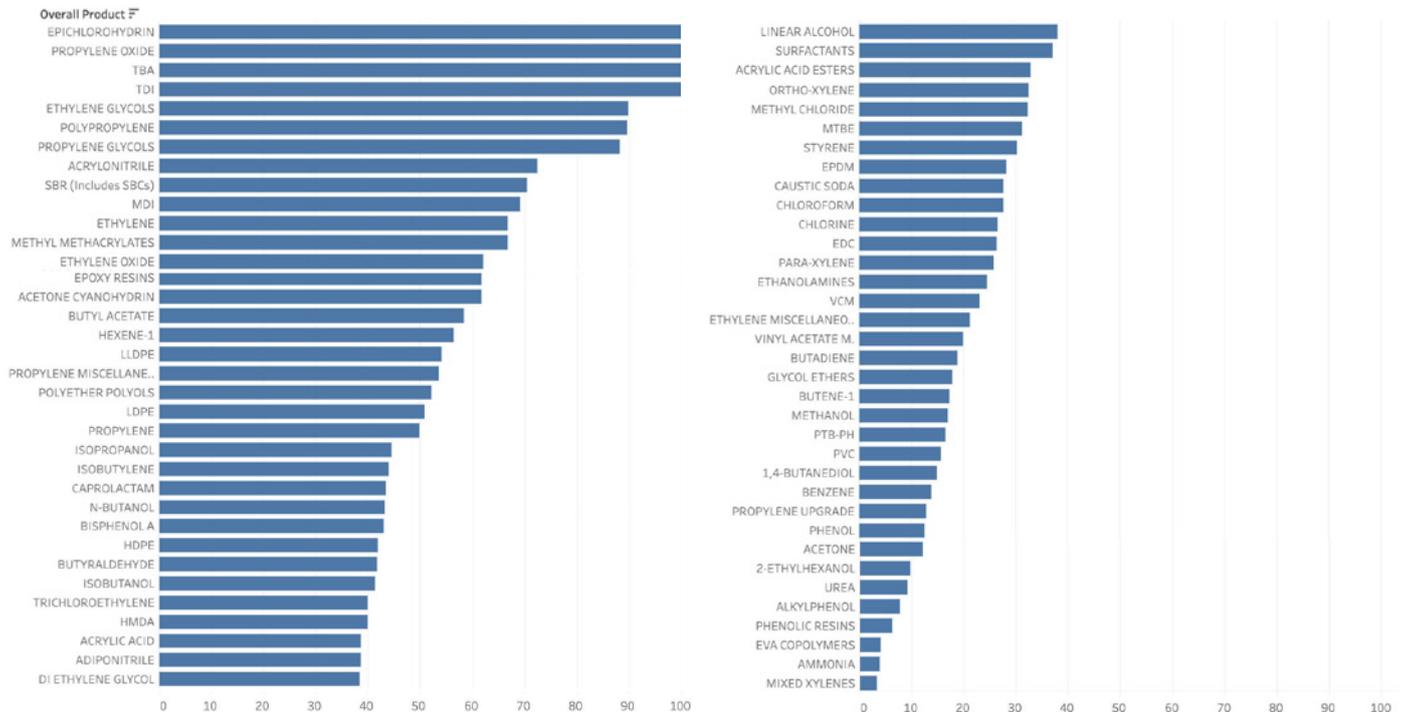
(gasoline, refined products, natural gas liquids and base oils not included)



[Click here to access the interactive visualization for the current effects of storm on US chemical/polymer production](#)

## Products sorted by US % capacity impacted based on 2020 capacities

(gasoline, refined products, natural gas liquids and base oils not included)



their April/May requirements and realise there's not that much material out there, then they may rush in and buy," said one market source in Asia.

Most major Middle East suppliers are due to announce their prices for March shipments starting from the coming week and some have already indicated that their allocations for Asian markets remain relatively tight.

The polypropylene (PP) market is also expected to see a continued tightness following production disruptions in the US.

Even though US is not a major PP exporter to Asia, tight supply conditions and new disruptions there mean that Middle East and Asian PP producers will brace for greater demand pull for cargoes.

The prevailing shortage in PP will thus persist or possibly worsen, as a number of facilities in the Middle East are slated to undergo maintenance in March.

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