

# 2024

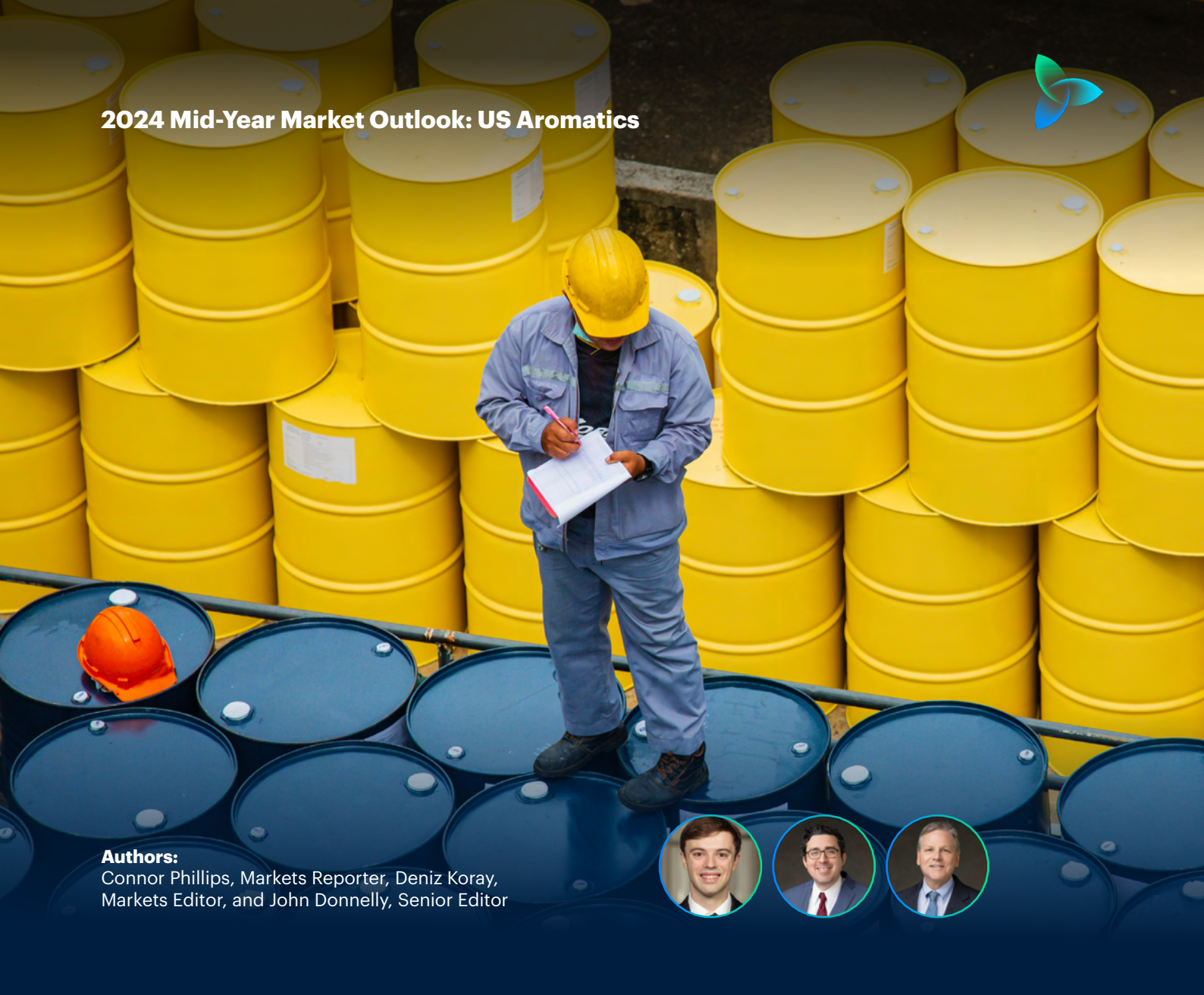
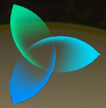
## Mid-Year Market Outlook

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### US Aromatics





### Authors:

Connor Phillips, Markets Reporter, Deniz Koray, Markets Editor, and John Donnelly, Senior Editor



## US aromatics demand below expectations heading into H2

After a largely stable spring and early summer, benzene has begun to experience volatility in pricing following longer-than-expected supply, as well as weakening downstream demand for products such as styrene.

Ongoing softness in demand for gasoline blending, despite seasonal norms, has depressed prices for low-Reid Vapor Pressure (RVP) blendstocks, such as toluene and mixed xylenes (MX).

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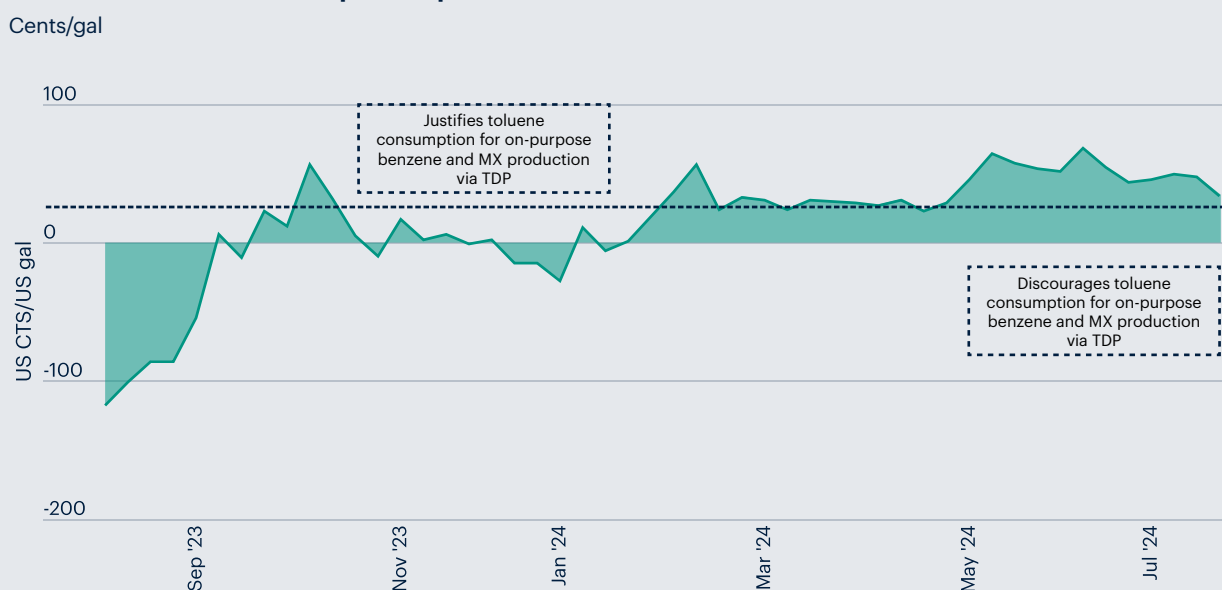
## 2024 Mid-Year Market Outlook: US Aromatics

### Toluene premium to gasoline drops; discounted to benzene

A year-on-year drop in the premium for toluene over reformulated blendstock for oxygenate blending (RBOB) gasoline continues.

Therefore, even with the recent drop in spot prices, benzene maintains a premium over toluene, as of late July.

#### US benzene & toluene price spread



SOURCE: ICIS

This in contrast to last summer and in Q4 2023.

Toluene's discount to benzene has helped make toluene conversion economically viable for the past few months and increased the probability of toluene disproportionation (TDP) plant restarts. The TDP process is used to produce benzene.

However, the longer-term viability of toluene disproportionation (TDP) plant usage for the year is now being called into question with softening benzene prices.

Market participants have noted this, as toluene spot prices have begun to slide slightly and approach those of MX in recent weeks.







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### Demand weakens due to seasonality, longer-term disruptions

Demand for aromatics is expected to weaken as the summer driving season concludes in a little more than a month.

Additionally, benzene availability has recently lengthened, with several downstream products running at lower rates.

Though some of these factors are temporary and related to a spate of unexpected weather issues--including in Illinois--others are long-term.

North American styrene is seeing weak derivative demand from polystyrene and expandable polystyrene (EPS) due to slower than expected construction and packaging activity.

Outages have also cut into styrene unit benzene demand.

INEOS Styrolution shut its 445,000 tonnes/year styrene production plant in Sarnia, Ontario, Canada, and plans to permanently close it by June 2026, after a dispute with Canadian government officials.


A nearby indigenous group complained about benzene emission levels from the site. The company shut the plant for maintenance in April.

In addition, Hurricane Beryl caused the shutdown of Styrolution's 455,000 tonnes/year styrene unit at Texas City as well as another Texas Gulf Coast unit. Both plants are expected to be back in operation by early August, according to market sources.

The styrene market is expected to continue to see weak demand and sufficient supply through the second half of the year and will generally follow current macroeconomic trends. Producers will continue to watch operating rates and margins as buying interest will continue to be cautious into Q3.

That may leave styrene spot prices under downward pressure with domestic derivative demand weak unless the arbitrage window to Europe stays open.

On the benzene front, both transitory and long-term demand pressure, as well as steady arrivals of benzene from Asia have been responsible for lower spot prices, recently. This also factored into August benzene contracts, which fell 5 cents/gallon on 31 July, though lower spot prices were previously seen.

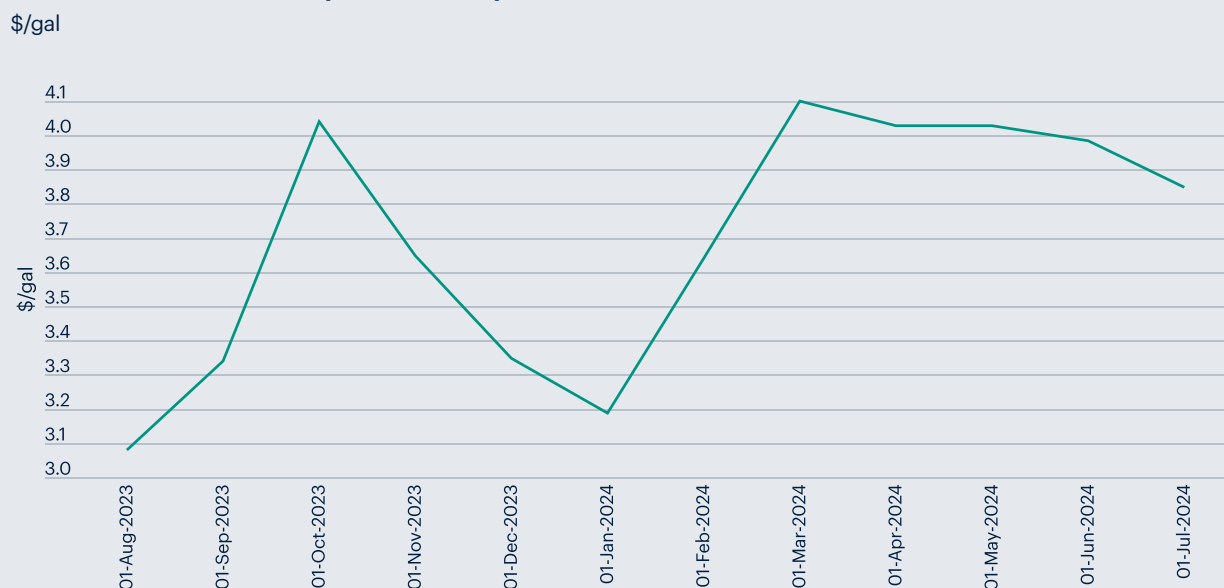


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### US benzene contract price history



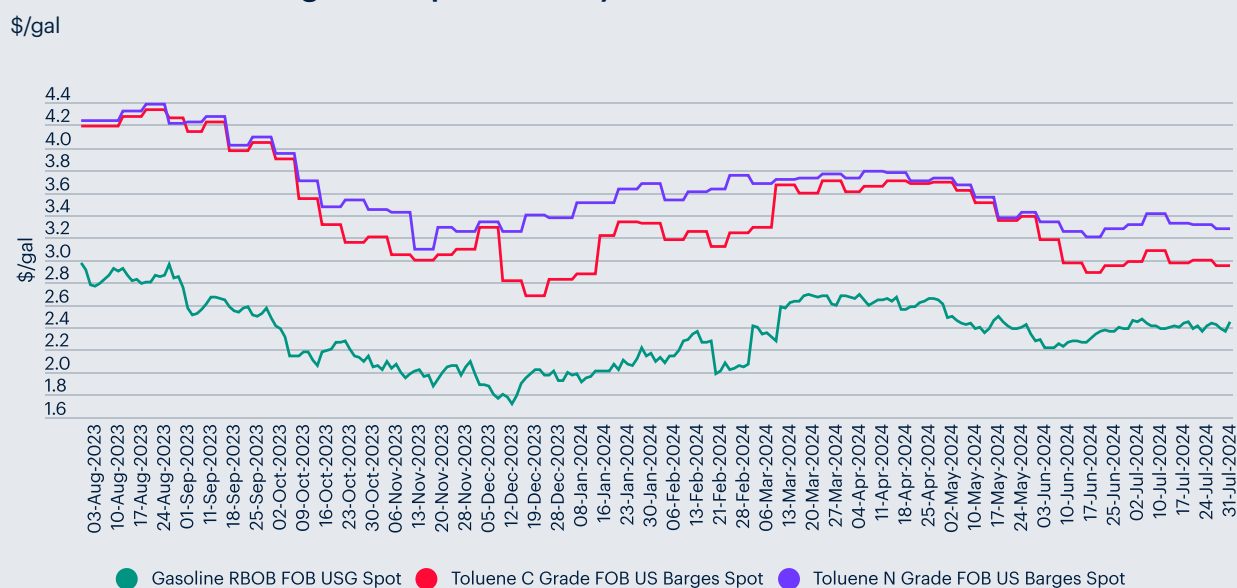
SOURCE: ICIS

Aromatic demand has been lackluster this summer, and gasoline blending season for cumene and ethylbenzene (EB) has not materialized and is nearing the season's end.

### Longer supply, lower demand placing pressure on toluene, MX prices

Octane boosters, such as toluene and MX, have been in relatively short supply over the course of the past two years. This short supply has led to general pricing strength for both toluene and MX.

### US toluene & RBOB gasoline price history



SOURCE: ICIS



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However, the past few months have seen a rise in domestic supply of octane boosters, due to a combination of an influx of aromatics imports, high refinery run rates, and lower-than-expected gasoline demand.

Lower demand for gasoline leads to depressed spot prices for toluene and MX, as both of these octane boosters are commonly used in gasoline blending during the summer driving season due to their low RVP numbers.

RVP standards for gasoline are more stringent during summer months, which typically causes an increase in demand for toluene and MX as gasoline blendstocks during summer driving season.

However, gasoline blending demand has been weaker than expected this summer, which has resulted in the relative absence of a seasonal rise in spot prices for both toluene and MX.

Benzene is used to produce a number of intermediates that are used to create polymers, solvents and detergents.

Major producers of US benzene include ExxonMobil, Marathon Petroleum, Shell, Flint Hills Resources, Chevron, CITGO, LyondellBasell, Valero and Total.

The primary chemical use of toluene is to make benzene and xylenes. Toluene is also used as a solvent that is present in paint thinners, nail polish remover, as well as in the manufacturing of nylon and plastic bottles.

MX is traded in two grades. Isomer-grade xylene is mainly used as a feedstock for paraxylene (PX) and orthoxylene (OX) production, while solvent-grade xylene is used as a raw material for dye, organic pigment, perfume and medicines, as well as a general solvent for paint and agricultural pesticides.

Major producers of US toluene and MX include ExxonMobil, Marathon Petroleum, Flint Hills Resources, Valero, Total and CITGO.



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