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Tecnon OrbiChem

CHEMICAL BUSINESS FOCUS

A MONTHLY ROUNDUP AND ANALYSIS OF THE KEY FACTORS SHAPING WORLD CHEMICAL MARKETS

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METHANOL

INCLUDING FORMALDEHYDE, ACETIC ACID AND MTBE

- Celanese acetic acid plant suffers major outage; *force majeure* declared
- US spot prices creep above 70c/gal but are still at least 25% below contract
- Leuna plant in eastern Germany down for 12 days with compressor problem
- European spot steady at Euro175/ton fob as Q3 contract talks begin
- One million tpa Oman methanol project on course for August production
- Zagross No 1 in Iran now producing high-quality on-spec methanol

North America
After several recent purchases by a major producer/marketer, spot prices on the US Gulf have moved up slightly from the range of 68-70 c/gal, where they have been for the last couple of weeks, to an estimated range of 69-71 c/gal.

Celanese has declared *force majeure* on 14 May on **acetic acid** from its Clear Lake, Texas, plant, which at 1.25 million tpa of output, accounts for 11% of global capacity.

There are no significant supply issues, affecting the supply of methanol to the US market. One of MHTL's four 550,000 tpa units in Trinidad is down for a scheduled turnaround.

West Europe
The 660,000 tpa Mider Helm plant at Leuna, Germany, went down with a heat exchanger problem on 24 May and began the process of re-starting on 6 June. It is now believed to be running normally.

The spot market in West Europe seems to be steady at Euro175/tpon fob Rotterdam. Several trades have been made recently at that number.

It is that time again – when a new quarterly contract price is negotiated. There is no doubt that the result will be a reduction in price for Q3, but by how much?

Asia, Middle East and Other Regions
News from Oman indicates that the new 1.0 million tpa methanol plant will start commercial production in August, with the first shipments being made early in Q4. Of course we have heard such predictions before, but this project does seem to be going rather well.

Methanol markets are generally quiet in Asia. Reduced supply from Saudi Arabia and Iran has resulted in a slight tightness of supply and some firming in prices. Marketers report approaches for spot product from buyers in Korea, Taiwan and China.

In Iran, it is understood that the Fanavaran plant is coming back into production by mid June. A large contract customer for methanol from the Zagross plant reports that the quality of recent production has been extremely good – well within specification.

PRICE MONITOR

US PRICES

		16 March 2007 ¢/gallon	16 April 2007 ¢/gallon	11 May 2007 ¢/gallon	12 June 2007 ¢/gallon		12 June 2007 $/ton
US GULF COAST							
Domestic							
Barge Contract	list	148.5-155.0	101.0-103.0	100.0-101.0	95.0-101.0	FOB	317-337
	transaction range	143.0-150.0	96.0-99.0	95.0-97.0	91.0-97.0		303-323
	weighted average	147.30	98.30	96.70	95.45		318
Tank car/truck	list	153.0-155.0	105.0-108.0	104.0-105.0	99.0-105.0	FOT	330-350
	transaction range	145.0-147.0	97.0-99.0	96.0-97.0	91.0-97.0		303-323
Barge Spot		88.0-100.0	66.0-70.0	70.0-75.0	69.0-72.0	FOB	230-240
REGIONS(1)							
New Jersey	list	163-165	105-111	100-110	100-105	FOB	334-350
	transaction range	155-157	100-105	95-102	95-100		317-334
Chicago	list	N.A.	N.A.	N.A.	N.A.	FOB	N.A.
	transaction range	N.A.	N.A.	N.A.	N.A.		N.A.

(1) = FOB terminals, tank car/truck   § = See Text   ¢/gallon to $/ton - multiply by 3.335

WEST EUROPEAN PRICES

		€/ton	€/ton	€/ton	€/ton		$/ton
Contract	List	420	250	250	250	FOB	336
Spot	T2*	250-275	190-195	175-190	175	FOB	236
		$/ton	$/ton	$/ton	$/ton		€/ton
Spot	T1**	N.A.	N.A.	N.A.	N.A.	CIF	N.A.

T2* = EEC material not dutiable   T1** = Imported material subject to EEC common external tariffs

ASIAN PRICES

Spot/Contract	Japan	$/ton	460-470	300-305	300-305	300-305	CFR	
	Korea	$/ton	460-470	300-305	300-305	300-305	CFR	
								$/ton
Domestic	China (East)	Rmb/ton	3050-3250	2600-2650	2200-2250	2350-2400	Ex Tank	307-314
Import	China (East)	$/ton	320-400	240-250	225-228	230-240	CFR	

* = Preliminary estimate   Rmb/ton = incudes VAT at 17 %

Current one US dollar equivalent (7 June 2007)
€: 0.743   £: 0.505 (1/1.980)   Yen 121.4   NT$: 33.04   Won: 926.75   RMB Yuan: 7.65

Current one € equivalent (7 June 2007)
US$ 1.346   £: 0.680 (1/1.471)   Yen 163.4

NORTH AMERICA

Feedstocks

Approach mid-June WTI crude is trading at $64-66/bbl and Brent at $69-70/bbl. Prompt natural gas at the Henry Hub has been trading at close to $7.50/mmBtu The June contract on the NYMEX expired on 29 May at $7.591/mmBtu. July futures are now trading at around $7.70/mmBtu. Warm weather throughout most of the US and the formation of the second tropical storm of the year on 1 June, notionally the first day of the hurricane season, lent some strength to the market and prices firmed during the first ten days of the month.

The volume of gas in storage as at Friday 1 June was 2,163 Bcf, which was 20.4 % above the five-year average for the week. Inventory levels are obviously still very comfortable, as indicated by prices for the outer months on the NYMEX. It is not until October that prices go above $8.00/mmBtu. There is however always the threat of one or more severe hurricanes hanging over the market.

Availability

Methanol markets are generally quiet in all the major world regions including the United States. Supply appears to be comfortable –certainly not short. There is spot material available, but not so much as to put pressure on price levels.

There are no significant supply issues, other than those already reported, affecting the supply of methanol to the US market. One of MHTL's four 550,000 tpa units in Trinidad is down for a scheduled turnaround.

Spot markets were quiet until recently when activity increased in the form of several purchases by a major international producer/marketer, which led to a slight firming in spot prices (see below).

Demand is generally good from all the major consuming sectors although the shutdown of the Celanese acetic plant at Clear Lake (see below) must result in temporarily reduced demand for methanol.

Market Prices

After several recent spot purchases by a major producer/marketer spot, prices on the US Gulf have moved up slightly from the range of 68-70 c/gal where they have been for the last couple of weeks to an estimated range of 69-71 c/gal. Whether or not this is the beginning of a real strengthening in spot numbers remains to be seen. When the buyer concerned is also a producer, questions tend to be asked about whether the price paid really reflects the market.

In the contract sector Methanex chose to roll over its non-discounted reference price $1.01/gal from May into June. Southern Chemical on the other hand reduced its contract price from $1.00/gal in May to 95 c/gal in June.

Derivatives

Celanese declared *force majeure* on 14 May on **acetic acid** from its Clear Lake, Texas, plant, which at 1.25 million tpa of output, accounts for 11% of global capacity. A USG market source said it believed the plant had been down for a few days prior to the FM declaration. A report filed on the website of the Texas Commission on Environmental Quality states that the unit was shut on 11 May due to a leak in the "reactor shell wall." Celanese would not comment on the exact nature of the operational problem. A Celanese spokesman said the company planned to restart the plant by the end of May. However, at the time of this newsletter, no confirmation had been received from the company regarding the status of the Clear Lake plant.

It is estimated that Celanese lost 50,000-70,000 tons of acetic acid because of the outage, which is about 20% of total US output for one month. (Total US output is projected at about 3 million tons for 2007.) That equates to a loss of methanol consumption of 27,500-38,500 tons.

Along with the *force majeure* declaration, Celanese placed its global customers on 50% allocation for acetic acid, vinyl acetate monomer, acetic anhydride and esters solvents for 60 days. It is understood that allocation levels will be re-evaluated once the acetic acid plant is restarted and running normally.

The news did not get better for Celanese in late May. The 250,000 tpa acetic acid plant at Pampa, Texas, was knocked off-line late 24 May by a fire that struck a utility provider at the Pampa facility, according to a report filed on the TCEQ website.

Both Eastman and BP announced 2 c/lb increases for acetic acid, effective 1 June, for North America, or $44/mt for Central and South America. On 5 June, Celanese issued 5 c/lb increase in the Americas, effective 1 July.

MTBE continues to command remarkably healthy prices in all world regions, supported by high values for crude oil and gasoline. On the US Gulf prices are in the range of $230-233/gal. That is actually some 5-10 c/gal above ethanol. However it has to be remembered that ethanol qualifies for a 52/gal tax subsidy (or blenders' credit) when it is blended into gasoline. There is something of a glut of gasoline on the Gulf at the moment and the regular-premium spread has fallen to about 10 c/gal from 14-15c/gal a month ago. Nevertheless MTBE is still good value as an octane component for states in which it can still be used.

For the remaining butane-based producers, the price of iso-butane has risen to around $1.53/gal. However one third of a gallon of spot methanol is about 23 cents giving a raw material cost of around $1.75 per gallon of MTBE.

Mexico is considering legislation to replace imported MTBE in its gasoline with domestically produced ethanol. MTBE accounts for about 6% of the Mexican gasoline pool and a ban would have serious consequences for US producers.

UNITED STATES NATURAL FUTURES

Month		*NY Merc $ per MMBtu*	
	11 May	*29 May*	*11 June*
Jun 2007	7.726	7.591	
Jul 2007	7.877	7.731	7.663
Aug 2007	7.997	7.861	7.802
Sep 2007	8.054		7.890
Oct 2007	8.164		8.027
Nov 2007	8.844		8.757
Dec 2007			9.482

UNITED STATES METHANOL IMPORTS

	March 2007		*Jan-Mar 07*	*Jan-Mar 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Canada	10,903	258	39,234	69,517
Argentina	41,554	386	74,773	75,741
Chile	121	122	40,483	92,366
Trinidad	329,530	313	1,024,530	1,141,094
Venezuela	32,400	536	147,832	234,537
Russia	-	-	-	10,133
Bahrain	14,956	317	20,190	24,570
Equatorial Guinea	38,785	433	38,867	165,179
China	107	151	195	1
Others	9	1,062	428	43
Total	468,365		1,386,532	1,813,181

$/ton figures are calculated from customs data and may not reflect market prices

WEST EUROPE

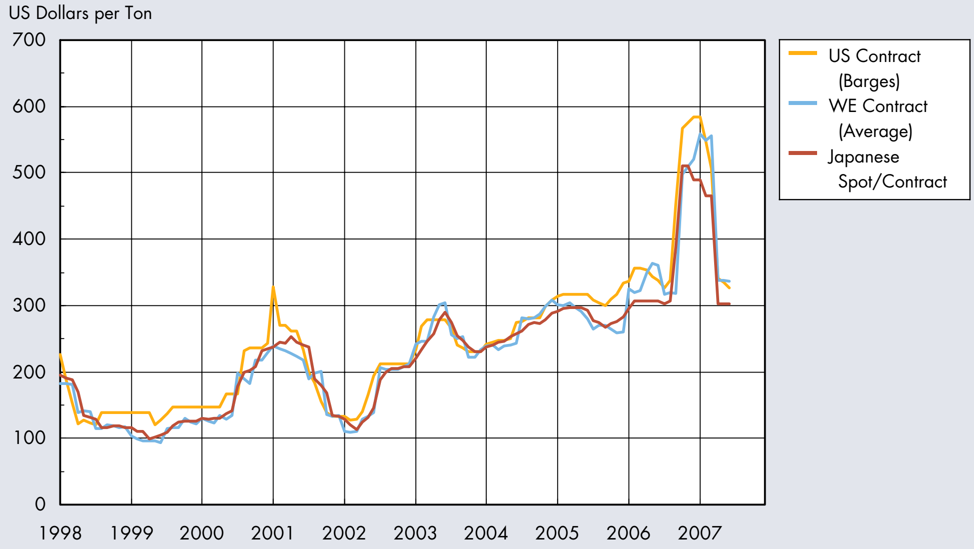
Availability

Methanol supply in West Europe remains adequate in early June and the market is quiet.

The only significant disruption to supply has been the unscheduled shutdown of the Mider Helm plant at Leuna in eastern Germany. The plant went down with a heat exchanger problem on 24 May and began the process of re-starting on 6 June. It is now believed to be running normally. The stoppage has had little or no effect on the spot market.

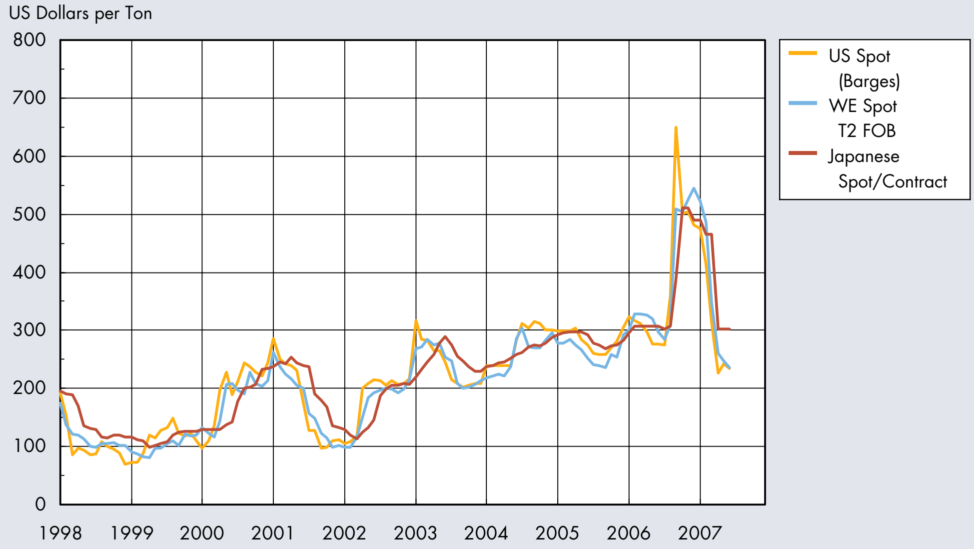
Statoil is still down on its scheduled turnaround, which is proceeding according to plan.

UNITED STATES, WEST EUROPEAN AND ASIAN METHANOL CONTRACT PRICES



Source: Tecnon OrbiChem

UNITED STATES, WEST EUROPEAN AND ASIAN METHANOL SPOT PRICES



Source: Tecnon OrbiChem

Demand remains generally good from all the major downstream consuming sectors.

Market Prices

The spot market in West Europe seems to be steady at Euro175/tpon fob Rotterdam. Several trades have been made recently at that number and the level has not moved for about two weeks. A major international producer/marketer has been among recent buyers.

Spot is therefore anchored at about 70% of the Q2 list contract price (and this is roughly true in all regions). Conventional wisdom has been that the market is in balance when spot is about 10% below contract. Thus with today' price relationship you would expect to see a market flooded by surplus methanol. This however is not the case. There is spot material available – indeed freely available – but not enough to put much pressure on price levels. Perhaps we should adjust to a new spot-contract relationship?

It is that time again – when a new quarterly contract price is negotiated. No doubt many discussions will take place at the upcoming IMPCA mini-conference in Cologne.

There is no doubt that the result will be a reduction in price, but by how much? If spot were to stay where it is and we saw a return to the old 10% differential then the result would be a number around Euro195/ton fob. That seems to be at the low end of the range of numbers being talked. Something beginning with a '2' but probably below Euro220/ton seems more likely. Some marketers claim that the formaldehyde producers do not want too big a price reduction because that would compel them to make an equally large reduction in their selling prices. At least one European producer is indicating a range for discussion of Euro220-230/ton fob.

News from Oman indicates that the new 1.0 million tpa methanol plant will start commercial production in August with the first shipments being made early in Q4. Of course we have heard such predictions before, but this project does seem to be going rather well. Helm will be the marketer of the methanol produced by the Oman plant. The news should have no effect on the contract price for Q3 but will become more significant for Q4.

Derivatives

Acetic acid market conditions in Europe were not completely dissimilar to those experienced in other global regions – tightly balanced supplies and steady demand – but pressure from feedstock methanol helped drive Q2 2007 acetic acid contracts lower.

Market participants confirmed in mid-May that Q2 contracts fell by an average of Euro15-20/mt compared to Q1. Producers acknowledged the price decreases were inevitable given the massive decrease in methanol contract prices at the beginning of the quarter. Those prices settled at Euro250/ton fob, down by Euro170/ton, or 40.5%, from Q1. As mentioned in the feedstock section, spot methanol offers in Europe were lower still at Euro175/mt fob. Market participants did not want to speculate on the possible direction of the Q3 methanol contract, but said acetic acid prices would likely be influenced much more by supply/demand concerns rather than feedstock in the coming months.

Questions about the status of Celanese's plants at Clear Lake and Pampa, Texas, (as discussed above) loomed large at the end of May. Directly after the *force majeure* declaration was issued, some European market sources expressed doubt that it would have lingering impact – especially if the Clear Lake plant restarted at the end of May as expected. But, the longer both plants are shut, the more likely it is that the European market will feel an impact as import volumes become less available.

Serbia's MSK Kikinda was scheduled to restart from a scheduled turnaround at the end of May, but no confirmation was received prior to publication. The 100,000 tpa plant has been down during most of May after the company reportedly moved a scheduled turnaround forward from Q3.

The 160,000 tpa Azot Nevinnomyssk acetic acid plant in Russia reportedly will be shut for a maintenance turnaround in June, but the duration of the outage was not confirmed. The plant is owned by EuroChem.

BP will move its global acetyls headquarters from Sunbury, just outside London, to China, a company spokesman confirmed in late May. According to the company spokesman, about seven to eight key staff member will move to Shanghai, although no timeframe was discussed. BP is the second major global acetyls producer to announce such a move in the past six months. In December 2006, Celanese said it would move its acetyls management staff to Shanghai by the end of the first half of 2007.

Strong gasoline prices in West Europe, pulled up by crude oil, have supported **MTBE** numbers in the range of $800-820/ton fob in early June. These numbers give a ratio to premium gasoline (barges fob Rotterdam) of about 1.12, which is satisfactory in today's market. MTBE prices even fell below gasoline briefly last year, but ten years ago producers would have considered ratios of below 1.20 unsatisfactorily low.

ASIA, MIDDLE EAST and OTHER REGIONS

Methanol markets are generally quiet in Asia. Reduced supply from Saudi Arabia and Iran has resulted in a slight tightness of supply and some firming in prices. Marketers report approaches for spot product from buyers in Korea, Taiwan and China.

Spot prices in Korea have moved up to $240-245/ton cfr with Southeast Asian prices about $5/ton higher.

News from Iran indicates that the Fanavaran plant is coming back into production in early June. The Zagross No 1 unit will be down for a short maintenance stop in mid-June (originally planned to be 10 days but now may be a little longer). By July both units are expected to be in more or less full production. Just how reliable this information is hard to assess. We do hear from a large contract customer for methanol from the Zagross plant that the quality of recent production has been extremely good – well within specification.

It just could be that at last, at long last, after many false starts, the long-predicted flow of methanol out of Iran will begin to have a serious effect on world markets. It will not be going to the US, that is for sure, so watch out Asia and Europe.

SOUTH KOREAN METHANOL EXPORTS

	March 2007		*Jan-Mar 07*	*Jan-Mar 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Others	46	2,112	71	61
Total	46		71	61

$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN METHANOL IMPORTS

	March 2007		*Jan-Mar 07*	*Jan-Mar 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Chile	38,800	451	122,537	145,312
Bahrain	6,999	490	13,999	6,000
Iran	8,128	436	34,368	56,875
Qatar	8,924	490	13,921	21,261
Saudi Arabia	-	-	20,982	82,357
India	2,991	417	2,991	-
Indonesia	2,896	443	5,883	5,596
Malaysia	9,878	446	13,057	14,123
New Zealand	5,088	462	26,287	-
China	29,111	428	105,653	15,834
Japan	3	2,462	19	3,030
Others	8	-	34	68
Total	112,826		359,731	350,456

$/ton figures are calculated from customs data and may not reflect market prices

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TAIWANESE METHANOL IMPORTS

	March 2007		*Jan-Mar 07*	*Jan-Mar 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Chile	-	-	8,500	7,350
Bahrain	-	-	5,000	-
Iran	28,278	444	38,224	38,182
Qatar	10,600	444	22,883	39,401
Saudi Arabia	27,921	458	79,359	102,829
Malaysia	2,121	436	15,264	24,056
New Zealand	-	-	23,500	-
China	22,269	446	53,191	-
Others	50	2,550	157	124
Total	91,239		246,078	211,942

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE METHANOL IMPORTS (1,000 Metric Tons)

Month	*2005*	*2006*	*2007*	*2006 $/ton*	*2007 $/ton*
Jan	85.8	63.0	83.3	260	465
Feb	43.5	70.9	71.5	269	460
Mar	67.3	78.0	91.2	281	450
Apr	81.2	82.0	-	291	-
May	56.3	80.3	-	290	-
Jun	76.4	90.3	-	283	-
Jul	55.3	75.0	-	281	-
Aug	62.7	99.9	-	276	-
Sep	70.5	59.1	-	304	-
Oct	59.1	100.0	-	403	-
Nov	63.4	49.7	-	469	-
Dec	63.4	114.2	-	464	-
Jan-Mar	196.5	211.9	246.1	271	458
% Change	(16.1)	7.9	16.1	(4.5)	69.0
Jan-Dec	784.6	962.5			
% Change	(0.8)	22.7			

$/ton figures are calculated from customs data and may not reflect market prices

JAPANESE METHANOL IMPORTS

	March 2007		*Jan-Mar 07*	*Jan-Mar 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Chile	32,936	480	73,313	65,903
Iran	28,047	497	60,680	43,790
Qatar	-	-	-	24,327
Saudi Arabia	73,533	509	295,065	280,831
Indonesia	23,666	501	70,703	39,973
Malaysia	7,331	466	22,566	15,981
New Zealand	-	-	48,522	10,284
China	2,912	506	8,398	-
South Korea	-	-	22,049	17,843
Others	3	3,636	5	1
Total	168,428		601,301	498,933

$/ton figures are calculated from customs data and may not reflect market prices

China

Supplies of imported methanol were considered tight in the second week of June, due to maintenance shutdowns of the Iranian and Saudi plants in June or July. Import prices are quoted at $240-250/ton cfr China Main Port in the second week of June, an increase of $20/ton from last month. In early June, a domestic buyer refused to take a cargo from Iran which was quoted at $245/ton cfr China Main Port. It is understood that 50,000 tons of methanol from Iran arrived in China in May, which were taken at close to $235/ton cfr China Main Port.

There are no spot exports yet in June at ports in Jiangsu and Zhejiang, East China, although lots of enquiries from overseas have been made. Customers from Taiwan and Korea are asking for prices of $250-260/ton cfr, which is around $220-230/ton fob China Main Port. It is understandable that no spot export deals were done in East China at today's domestic prices. However, some spot export deals were done at $250-260/ton fob at Basuo Port on the Hainan Island. The upload speed at Basuo Port is now up to 170-180 tons/hour, according to market sources.

Domestic prices increased a little in most areas in the second week of June compared to that of May; however, it is still at the level that most producers are breaking even or suffering losses. Summer season is coming, and demand is expected to decrease. The total cost for most coal-based producers is about Rmb2000-2200/ton, the total cost for most gas-based producers is in the range of Rmb1700-2000/ton, depending on what price of gas they could get, and the total cost for the producers who make methanol based on offgas from coke production is about Rmb1500/ton. Apart from this single methanol production (coal-based or gas-based), there is about 2-3 million tpa (estimated) capacity of methanol produced alongside with ammonia production via syngas in China. We understood that some of these producers have cut their production to the minimum, some of them have shut down their plants and the others are still running as normal. It is expected that this sort of methanol production will be reduced further due to low methanol prices and as demand for ammonia will increase during June and July. Also, there have been maintenance shutdowns of some of those single methanol plants in China.

Ex-tank prices in East China increased to Rmb2350-2400/ton at Jiangsu (Taicang, Nantong and Jiangyin), and Rmb2400-2420/ton at Zhejiang (Ningbo) in the second week of June. About 20,000 tons of methanol from Henan Lantian was stored at Yangzi River Port of Wuhan at the end of April, and arrived in East China during May. That was much less than earlier indication of 40,000–50,000 tons.

Shanghai Coking and Chemical Corporation set its contract price for June at Rmb2300/ton (Methanol grade: ethanol<100 PPM), a decrease of Rmb120/ton from last month. The company reduced the operations rate by 15% to 85% in early May due to a technical issue. The plant has been back to full production rates since early June. Shanghai Coking and Chemical Corporation produces coal-based methanol in Shanghai with a capacity of 350,000 tpa. They supply 9,000 tpm methanol to Shanghai Wujing for acetic acid production. There were no exports from Shanghai Coking in May. Shanghai Coking has a new project with a capacity of 450,000 tpa, starting up at the end of 2007.

In the second week of June, ex-works offers were at Rmb2300/ton from Anhui Linquan Chemical, Rmb2300/ton from Shandong Lianmeng Chemical, and Rmb2250-2300/ton from the Yankuang Group. Logistics cost to East China is around Rmb200/ton from Anhui, and Rmb300/ton from Shandong.

Anhui Linquan Chemical has clarified that it produces coal-based methanol in Anhui at a capacity of 100,000 tpa alongside with ammonia production. Methanol production of the plant has been reduced by one-third, but will start up a new single coal-based methanol unit at 150,000 tpa in June 2008. Shandong Lianmeng produces coal-based methanol in Shandong at a capacity of 300,000 tpa. The plant was shut down for four days in May. Yankuang Cathay produces coal-based methanol at Tengzhou, Shandong with a capacity of 350,000 tpa. Around one-third of the methanol is used captively for the production of acetic acid. The plant restarted on 7 June after a two-week maintenance shutdown. The company is planning another coal-based 500,000 tpa plant.

Yankuang Cathay is part of the Yankuang Group, in which Yankuang Guohong Chemical, Yankuang International Coking Company, Yankuang Lunan Chemical, Yankuang Yishan Chemical also produce or have plans to produce methanol. Yankuang Guohong Chemical will start up a 500,000 tpa coal-based methanol plant in September or October this year. Yankuang International Coking Company produces methanol at 200,000 tpa. The plant is based on offgas from coke production. Yankuang Lunan Chemical produces coal-based methanol at 150,000 tpa, and the plant will be debottlenecked to 200,000 tpa in

CHINESE METHANOL EXPORTS

	April 2007		*Jan-Apr 07*	*Jan-Apr 06*
	Tons	*$/Ton*	*Tons*	*Tons*
India	4,649	387	47,768	-
Indonesia	-	-	7,138	-
Malaysia	4,079	270	38,064	-
Philippines	3,033	388	13,242	-
Singapore	7,346	400	21,858	-
Thailand	-	-	3,503	-
Vietnam	1,561	346	11,967	17
Hong Kong	26	189	1,277	17
North Korea	101	328	184	162
South Korea	19,882	378	122,775	25,715
Taiwan	18,230	407	46,459	3,006
Japan	-	-	3,000	14
Others	39	417	119	143
Total	58,946		317,354	29,074

$/ton figures are calculated from customs data and may not reflect market prices

CHINESE METHANOL IMPORTS

	April 2007		*Jan-Apr 07*	*Jan-Apr 06*
	Tons	*$/Ton*	*Tons*	*Tons*
Chile	-	-	5,500	115,934
Bahrain	-	-	4,418	15,499
Iran	-	-	1,697	39,395
Qatar	-	-	5,000	51,626
Saudi Arabia	24,108	349	57,654	83,229
Indonesia	-	-	4,490	24,264
Malaysia	4,943	262	19,726	23,064
New Zealand	5,000	255	5,000	36,387
South Korea	7	2,185	65	4,339
Taiwan	385	446	2,191	15
Others	37	-	130	310
Total	34,480		105,871	394,062

$/ton figures are calculated from customs data and may not reflect market prices

CHINESE METHANOL IMPORTS
(1,000 Metric Tons)

Month	*2005*	*2006*	*2007*	*2006 $/ton*	*2007 $/ton*
Jan	142.6	132.8	14.7	249	402
Feb	63.6	59.7	19.4	254	422
Mar	88.6	127.2	37.3	257	385
Apr	80.0	74.4	34.5	258	328
May	126.4	102.5	-	254	-
Jun	153.8	133.3	-	255	-
Jul	101.1	117.5	-	257	-
Aug	82.1	135.2	-	250	-
Sep	152.3	88.6	-	277	-
Oct	91.7	63.4	-	321	-
Nov	165.6	71.2	-	369	-
Dec	112.5	21.5	-	398	-
Jan-Apr	374.8	394.1	105.9	254	376
% Change	(18.0)	5.1	(73.1)	(6.6)	48.0
Jan-Dec	1,360.3	1,127.3			
% Change	0.1	(17.1)			

$/ton figures are calculated from customs data and may not reflect market prices

early 2008, less than earlier indication of 250,000 tpa. It is also planning a coal-based 600,000 tpa plant. Yankuang Yishan Chemical produces coal-based methanol at 40,000 tpa, alongside with ammonia production. So, the total methanol capacity of Yankuang Group is going to reach 1.3 million tpa by 2008. It is understood that the Group has plans to expand its total capacity to 4 million tpa.

Ex-tank prices in South China increased to Rmb2450/ton at ports in Zhanjiang, Guangzhou and Fujian in the second week of June. However, prices at Nansha were quoted at Rmb2200/ton, and prices in Nanning were quoted at Rmb2100-2200/ton. CNOOC Jiantao Chemical has been operating its gas-based 600,000 tpa at full rates. 2/3 of the capacity is sold to Jiantao for formaldehyde production. A new plant, with a capacity of 1.13 million tpa, has started construction. It is expected that the new plant will start up in September 2009. Yunnan Yunwei has a 110,000 tpa methanol plant, which has been operating at 100% since the end of April. The plant is based on offgas from coke production. A new production unit with a capacity of 200,000 tpa will is expected to start up in November this year. Fujian Sanming Chemical produces coal-based methanol at 38,000 tpa, alongside with ammonia production, and half of the capacity is consumed captively to make formaldehyde. Jiangxi Jiang'an Chemical produces coal-based methanol at 40,000 tpa, alongside with ammonia production.

Market prices in North China increased to Rmb2200-2300/ton in the second week of June. It has been reported that there have been some new DME capacities in Hebei. We now understood that Hebei Zhengyuan produces coal-based methanol at a capacity of 150,000 tpa in total (70,000 tpa in Lingshou, 30,000 tpa at Wuji and 50,000 tpa at Pingshan). The methanol is produced alongside with ammonia production. The production rate has reduced by 20%. Shanxi Jiexiu produces coal-based methanol at 40,000 tpa, alongside with ammonia production. Shanxi Huozhou produces coal-based methanol at 50,000 tpa, alongside with ammonia production. Shijiazhuang Jinshi Chemical produces coal-based methanol at 60,000 tpa, alongside with ammonia production. Hebei Tianbao Chemical produces coal-based methanol at 60,000 tpa, alongside with ammonia production. Hebei Jinyuan Chemical produces coal-based methanol at 60,000 tpa, alongside with ammonia production. Shanxi Yuanping Chemical produces coal-based methanol at 80,000 tpa, alongside with ammonia production, which will be expanded to 200,000 tpa by the end of 2007. Hebei Xuanhua Chemical produces coal-based methanol at 20,000 tpa, alongside with ammonia production, which will be debottlenecked to 50,000 tpa in May 2008. They are building a new "single" coal-based unit with a capacity of 150,000 tpa. The new plant will start up also in May 2008, bring the total capacity to 200,000 tpa. Hebei Qian'an is preparing to reconstruct its coal-based 200,000 tpa plant. The plant was shutdown since August 2005.

Shanxi Fengxi produces coal-based methanol with a capacity of 400,000 tpa, operating at 75%. A new project, with a capacity of 400,000 tpa, is nearly completed It is understood that Hebei Jiantao produces methanol at 70,000 tpa. The plant is based on offgas from coke production. Shandong Jiutai produces coal-based methanol at a capacity of 250,000 tpa, nearly all of which is used captively for its 150,000 tpa DME plant. Another DME plant with a capacity of 200,000 tpa is coming on stream in June/July.

Shandong Hualu Hengsheng produces coal-based methanol at a capacity of 300,000 tpa, nearly all of which is used captively to make methylamine/DMF and formaldehyde. They buy and sell methanol on the market, depending on the market condition. They will start up a new 200,000 tpa acetic acid plant at the end of 2008. They also have plans to build a new methanol line at 300,000 tpa in 2009, but at today's prices, they would rather buy methanol rather than make it themselves. There are also supplies to North China from Anhui Linquan Chemical, Shandong Lianmeng and the Yankuang Group. As reported, on 22 May, Datong Coal Mining Group had a cornerstone laying ceremony for its 1.2 million tpa methanol plant in Datong City, Shanxi Province. Datong Coal Mining Group expects to start building the plant in November 2007, and commercial production will begin at the end of 2010.

Market prices in Northeast China increased to Rmb2000-2100/ton in the second week of June. Ex-works price from Daqing Petroleum Administration was at Rmb2050-2100/ton. Daqing Petroleum Administration produces gas-based methanol with a capacity of 200,000 tpa. Methanol produced is mainly sold to MTBE producers in Northeast China. They will start up its new 200,000 tpa acetic acid plant in August. They are planning another methanol plant with a capacity of 400,000 tpa. Heilongjiang Agriculture Company produces coal-based methanol at a capacity of 100,000 tpa, operating at 80%. It is understood that inventories at the company are still high at the moment. Harbin Gas Factory produces coal-based methanol at 140,000 tpa. Jinxi Natural Gas produces gas-based methanol at 50 ktpa. The methanol plant is a single unit, although they also produce ammonia.

Market prices in Northwest China stayed at Rmb1900-2000/ton in the second week of June. Ex-works prices from Shaanxi Yulin were at Rmb1950/ton (ethanol=150 PPM), Rmb2000/ton (ethanol<100 PPM) and Rmb2050/ton (ethanol<50 PPM). Shaanxi Yulin produces gas-based methanol with a capacity of 430,000 tpa at full rates. Shaanxi Shenmu has a 200,000 tpa coal-based methanol plant. They shut down the plant on 26 May for a one-month planned maintenance. Another plant, with a capacity of 400,000 tpa, will start up at the end of 2007. Qinghai Geermu produces gas-based methanol at a capacity of 400,000 tpa. They shut down the plant on 31 May for a planned maintenance of 15-20 days. Changqing Oilfield produces gas-based methanol with a capacity of 100,000 tpa.

Shaanxi Weihe has a 200,000 tpa coal-based plant, operating at 70%. The plant was shut down on 9 May for a 40-day planned maintenance, which is expected to restart in mid June. The DME capacity was debottlenecked to 60,000 tpa from 10,000 tpa on 6 June. They are planning to build a 400,000 tpa coal-based plant in 2007. The 200,000 tpa gas-based plant of Xinjiang Petroleum Administration is still shut due to maintenance and short gas supplies. There is no indication when it will restart again. They are planning to expand the capacity to 1 million tpa in 2009, and build a MTO project with a capacity of 400,000 tpa. Tuha Oilfield produces gas-based methanol at 240,000 tpa. The plant will be shut down for maintenance in early July for a month.

Inner Mongolia Tianye produces gas-based methanol at 200,000 tpa, alongside with ammonia production. Xinjiang Bazhou Dongchen produces gas-based methanol at 90,000 tpa, and another unit of 90,000 tpa is coming on stream in November 2007. Inner Mongolia Sulige produces gas-based methanol at 180,000 tpa. Shenhua Ningxia Coal Group will start up its coal-based methanol plant at 250,000 tpa in July 2007. In Inner Mongolia, two projects (1 million tpa methanol and 1.5 million tpa DME) will be launched by Shandong Jiutai in 2008.

Market prices in Southwest China decreased to Rmb2100-2200/ton in the second week of June. It is understood that there have been supplies from Northwest China. Sichuan Vinylon Works produces gas-based methanol, with a capacity of 350,000 tpa. Gas is off-gas from natural gas-based acetylene production. The plant restarted on 4 June after one month of maintenance. It is understood that the plant has been operating at less than 50% since it restarted, due to short gas supplies. Nearly 60% of the methanol is used captively to make acetic acid for Yaraco. Lutianhua Group produces gas-based methanol at 440,000 tpa in two units. One is at 40,000 tpa, alongside with ammonia production, and the other is a single unit at 400,000 tpa. The single unit restarted on 2 June after a 50-day maintenance shutdown. Since then, the plant has been operating at 70-80%. Sichuan Jiangyou produces gas-based methanol at 150,000 tpa. It is understood that Sichuan Wantong Gas is planning a new methanol plant with a capacity of 40,000 tpa after they have purchased a small ammonia plant.

Market prices in Central China increased to Rmb1950-2250/ton in the second week of June. Henan Lantian produces methanol at a capacity of 760,000 tpa (5 units: one at 360,000 tpa, gas-based; the other four at 100,000 tpa each, coal-based). The 360,000 tpa unit was restarted on 31 May after a 10-day maintenance shutdown. One of the 100,000 tpa plants was shut down for one day in early June. It is understood that they are planning an acetic acid plant with a capacity of 200,000 tpa, and a MTO project with a capacity of 200,000 tpa. Henan Zhongyuan Methanol produces methanol at 100,000 tpa. The plant is coal and gas-based (Coal: Gas = 7:3). Henan Zhongyuan Dahua will start up its coal-based methanol plant at the end of 2007. Henan Yongcheng Coal and Electricity will also start up its coal-based methanol plant at the end of 2007.

Strong demand following the start of the summer driving season in Asia has resulted in high gasoline prices and some tightness of supply in the spot market have sent **MTBE** prices up to a range of $800-810/ton fob Singapore.

Acetic acid

The usual supplies of imported acetic acid into **China** already were considered tight at the beginning of May, and the unplanned shutdown of the Celanese plant at Clear Lake, Texas, and subsequent *force majeure* has made supplies even tighter.

Sopo has now indicated that the new 600,000 tpa plant will start up in the first half of 2009, and, in the mean time, a new facility is being built to produce carbon monoxide from coal. Praxair will build an air separation facility, supplying oxygen. At the end of June, Jiangsu Sopo will have a planned maintenance shutdown of the 250,000 tpa line for 10-12 days, and the 350,000 tpa line for 15 days. The 350,000 tpa line will then be debottlenecked to 400,000 tpa, raising its total capacity to 650,000 tpa.

Shanghai Wujing has been operating the 230,000 tpa plant at 50-67% since early May due to engineering works at the CO facility of Shanghai Coking. The CO facility is being debottlenecked for the new 300,000 tpa acetic acid plant. It is expected that the 230,000 tpa plant will return to full operations rate in early June when the engineering works are completed.

Shanghai Wujing has now confirmed that it will shut down the old 230,000 tpa plant when it starts production at its new 300,000 tpa facility at the end of June. Shanghai Coking produces coal-based methanol in Shanghai with a capacity of 350,000 tpa. They currently supply 9,000 tpm methanol to Shanghai Wujing. They will start up a new methanol plant with a capacity of 450,000 tpa at the end of 2007. They are also going to add another carbon monoxide production unit and a new pipeline for the new acetic acid capacity in 2008 or thereafter. Shanghai Wujing would then bring its total acid capacity to 530,000 tpa. Shanghai Wujing and Shanghai Coking both belong to Shanghai Huayi.

Yaraco restarted its 400,000 tpa plant in Chongqing on 21 May, after a 10-day shutdown which is mainly due to short gas supplies. Yuhuai railway was open on 18 April for passengers, and it is expected that it will be available for freight at the end of 2007.

Celanese has been trying to start up its new 600,000 tpa plant at Nanjing since March, market participants said, and the last trial was on 18 May. It is understood that there were problems with carbon monoxide supplies. Wison Nanjing Chemical Company supplies all the methanol and carbon monoxide they produce to Celanese as it has a 200,000 tpa methanol plant and a 300,000 tpa carbon monoxide plant at the same site. Celanese has indicated that commercial product will be available from the plant in early June.

Yankuang Cathay shut down its 200,000 tpa plant on 26 May, for a planned maintenance of 10-20 days (longer than earlier indication). It has indicated that the plant will be debottlenecked to 300,000 tpa at the end of 2007.

Daqing Petroleum Administration Bureau has now indicated that its new 200,000 tpa acetic acid facility will be on stream at the end of July, later than expected. It is understood that the construction of the plant has almost been completed. PetroChina will have a final check in July before it starts production. The company is considering plans to double capacity at the site within the next 2-5 years, and may also build a 300,000 tpa VAM facility once it has expanded its acid capacity.

Henan Lantian Group, a methanol producer based in Zhumadian, Henan Province, has planned to build a 200,000 tpa acetic acid plant. It is understood that they are waiting for government approval, and are expecting to get the approval in 2008.

Guizhou Crystal has indicated it will start up the new 36,000 tpa acetic acid plant at the end of 2007, and will import equipment starting in August. Chiyoda will provide its new Acetica technology to the plant. The plant will be linked to VAM and PVOH production. Currently, Guizhou Crystal produces VAM at 45,000 tpa and PVOH at 30,000 tpa. VAM and PVOH capacities will be expanded to 70,000 tpa and 35,000 tpa, respectively, when the new acetic acid plant comes on stream at the end of 2007. By then, they will have 23,400 tpa acetic acid, 7,000 tpa VAM and 35,000 tpa PVOH available. Market participants have said they believe 1 ton PVOH production co-produces 1.1 tons acetic acid from their plant.

Acetic acid prices in other parts of Asia strengthened again in early May as scheduled and unscheduled outages tightened the regional supply balance, and then moved up further mid-month following the Celanese news.

As anticipated, the finely balanced supply situation across Asia is proving the decisive factor in the market in Q2 and this looks certain to continue through Q3. A heavy round of scheduled shutdowns will keep the supply side taut.

At the same time, continuing unscheduled shutdowns as well as uncertainties over the onstream timing of substantial new Chinese capacities make the outlook difficult to forecast with certainty.

Celanese is understood to have shut its 600,000 tpa plant in Singapore for four days in mid-May. BP Petronas Acetyls shut its 550,000 tpa plant in Malaysia for four days in mid-April and a further four days in mid-May, also because of carbon monoxide supply problems.

Formosa BP has delayed the three-week turnaround at its 300,000 tpa plant in Taiwan to end-May to enable it to manage high methanol inventories. Taiwan's CPDC has confirmed it has also put back the 35-day maintenance turnaround at its 140,000 tpa plant to 9 July because of a change in upstream shutdown dates by CPC. Celanese Singapore is expected to take a 25-day turnaround at its 600,000 tpa Singapore plant from mid-July.

In addition to these, maintenance shutdowns planned in Q2 and Q3 in China and Japan will further tighten the regional balance (see China and Japan sections).

At the same time, more than 1 million tpa of new capacity is expected on stream in the next two quarters in China, as Celanese starts up its 600,000 tpa plant in Nanjing, Shanghai Wujing starts up its 300,000 tpa expansion, and Daqing starts up its delayed 200,000 tpa plant (see China section). The timing of these new starts will be crucial for what is now a finely balanced supply situation.

The demand side of the equation is also a continuing source of uncertainty for acetic acid going forward. PTA demand remains firm, but efforts to raise VAM prices have consistently failed in the last month, and solvents markets are described as poor once again.

Japan

Japanese Supply of Acetic Acid
(tons)

	Apr 07 (06/05)	*% Change (06/05)*	*Jan-Apr 07*	*% Change*
Production	52,998	22.4	213,766	8.6
Shipment	45,180	0.5	181,367	4.5
Inventory	7,731	9.1	***	***

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