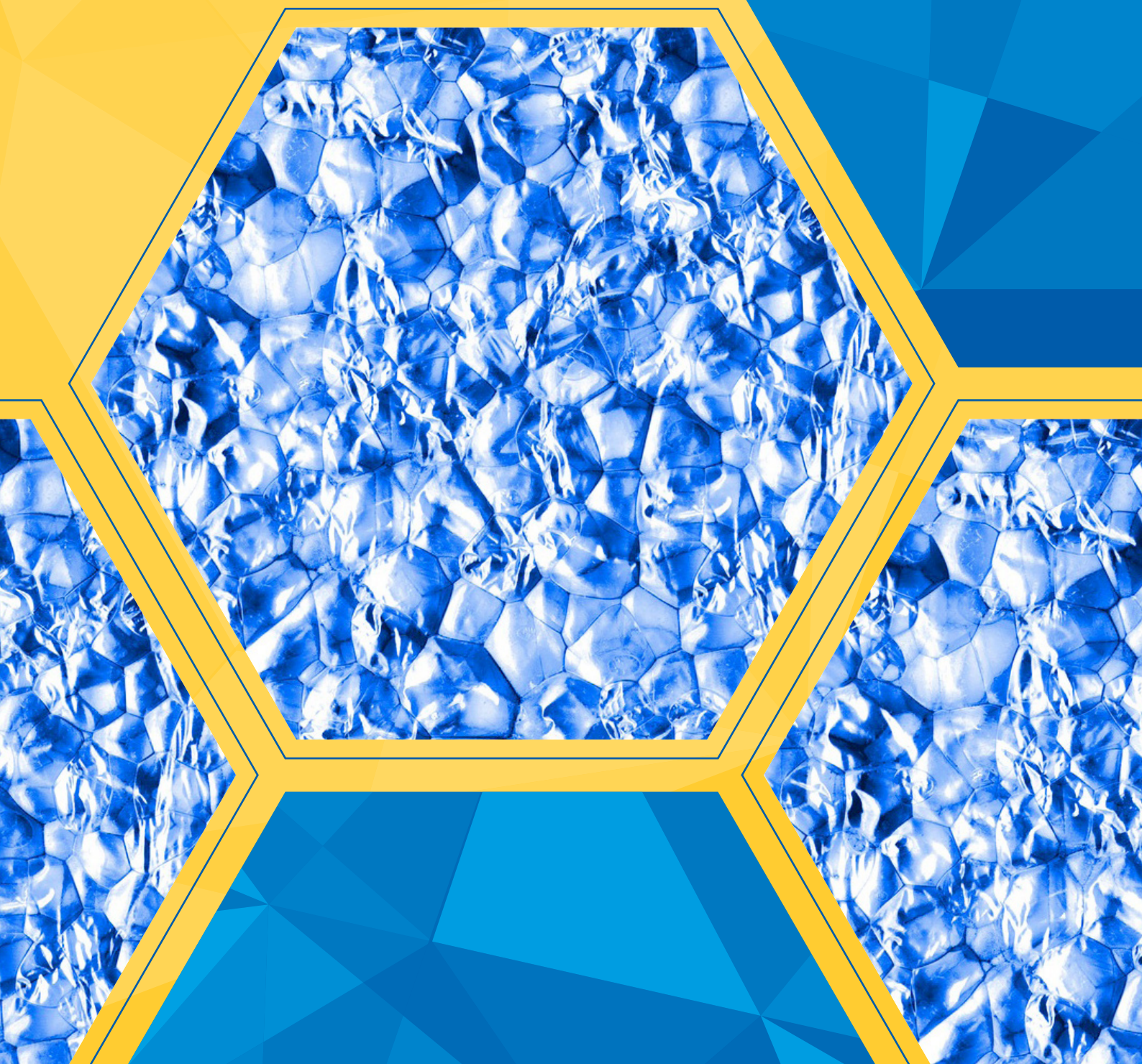




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CHEMICAL PROFILE: MIDDLE EAST PET



By Ruth Loh Xiu

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BY RUTH LOH XIU JANUARY 2018

USES

Polyethylene terephthalate (PET) has a crystalline structure; good chemical resistance to mineral oils, acids and solvents; good electrical resistance; low moisture absorption; resists combustion; and is self-extinguishing. It can be recycled for other applications or returned to its constituent monomers.

PET exists both as an amorphous (transparent) and a semi-crystalline (opaque and white) thermoplastic, and can be made into either a resin, fibre or film. The semi-crystalline PET has good strength, stiffness and hardness while the amorphous PET has better ductility.

The largest outlet is for synthetic fibres, followed by bottle resin. PET film is used in electrical applications and packaging.

MIDDLE EAST PET CAPACITY		'000 TONNES/YEAR
Company	Location	Capacity
SABIC	Yanbu, Saudi Arabia	750 [*]
Octal	Salalah, Oman	1,000 (bottle and sheet applications) 450 ^{**}
JBF	Ras Al Khaimah, UAE	400 ^{***}

^{*}SABIC in August 2017 reduced its operating rate to 420,000 tonnes/year

^{**}The Octal site also has 1m tonnes/year of PET bottle sheet and sheet production capacity

^{***}Shut down in June 2017 with plans to reopen for business in January 2018

SUPPLY/DEMAND

The Middle East's bottle grade PET capacity decreased this year when SABIC in Yanbu, Saudi Arabia reduced production capacity from 750,000 tonnes/year to a 420,000 tonne/year operating rate for cost optimisation. JBF's 400,000 tonne/year Ras Al Khaimah facility in the UAE stopped production in June for a number of reasons. Octal's production was steady through the year, but the supply crunch meant demand was heightened. Gulf Cooperation Council (GCC) buyers began looking at PET from Asia, namely India and China.

It is expected that when JBF resumes operations – it aims to restart in early 2018 – the extra stock fed into the overall supply stream will regulate the current market situation, stabilising the supply/demand balance that is now heavier on the demand side.

This will alleviate depleted supply and replenish it so the market's supply/demand balance will tilt over into higher supply while demand is not expected to undergo any major

changes. This may impact prices.

PRICES

Bottle grade PET is currently experiencing a global supply crunch because of the recent plant production issues in regions such as Europe and the US, forcing western buyers into Asia, including India (a supplier for the Middle East) for material. Bottle grade PET prices are impacted by feedstock prices, namely purified terephthalic acid (PTA) and monoethylene glycol (MEG), along with crude oil prices.

Because of global supply disruptions and feedstock price changes, the prices for bottle grade PET have been volatile in China and other parts of Asia towards the end of 2017. However, Middle Eastern bottle grade PET prices have not been volatile. Towards the end of 2017, prices have stayed stable-to-soft.

Middle East PET prices were assessed lower in the week ended 23 November, with prices dipping to \$1,045-1,080/tonne FOB (free on board) GCC and \$1,080-1,090/tonne CFR (cost & freight) GCC. Market players said this was because of uncertainty in the crude oil market and weaker MEG prices.

In 2018, with the influx of bottle grade PET resin from JBF, the extra supply from Octal, and the foreseeably stable demand, prices might experience downward pressure and not fluctuate as much on the upside.

TECHNOLOGY

To make PET resins, PTA and MEG are reacted to make a basic ester which is polymerised in a melt phase, polycondensation finishing reactor.

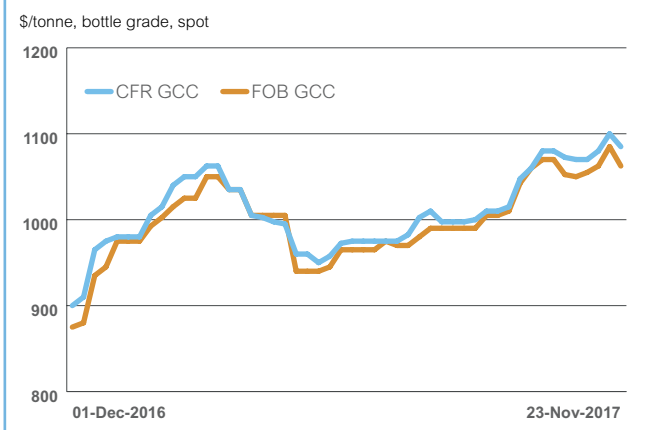
Dimethyl terephthalate (DMT) is an alternative feedstock to PTA, but the PTA route is preferred. The molten polymer is processed either into fibres/filaments or sent to the solid state polycondensation unit to make bottle grade chips.

OUTLOOK

Bottle grade PET prices in the Middle East are likely to hold stable for now, even though producers in areas such as China are selling at much lower prices.

Buyers in the GCC regions will still continue to buy from GCC and Indian producers because the shipping time is much more manageable and this makes inventory

MIDDLE EAST PET



management easier. Unless they can afford to wait, they may not buy from China despite the better prices.

Saudi Arabia's SABIC, a major producer, has already dropped operating rates. Oman-based Octal is debottlenecking now to increase production.

There is talk in the market that JBF in the UAE is hopeful about restarting as soon as possible. When JBF restarts, however, it is possible that the renewed supply might not affect currently operating suppliers as much, at least for the first few months, because current customers may not be willing to entrust their PET needs to JBF until the company has regained their trust in terms of certainty of supply. Thereafter, the extra supply is expected to regulate the market demand/supply balance.



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Ruth Loh Xiu started writing professionally after graduating from The University of Queensland with a degree in microbiology, with a minor in biomedical science. She has been covering the recycled polyethylene terephthalate, Asia and middle-eastern polyethylene terephthalate, and Asian polyethylene pipe markets at ICIS since August 2017.

The Middle Eastern PET market in 2018 should not experience any major price fluctuations if the following conditions hold – global and local demand are stable; JBF in Ras Al Khaimah, UAE, opens and begins running its lines again; and Octal debottlenecks successfully to ramp up production capacity to its full 650,000 tonnes/year.

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