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SPECIAL REPORT

# OIL PRICE CRASH AND CONSEQUENCES FOR THE PETROCHEMICAL INDUSTRY

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**Author: Heinz Zimmermann, HZ Business Consulting, Munich, Germany**

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## Chapter 1

# PURPOSE OF THIS PAPER

In this paper the importance of the Oil price for the Petrochemical Industry will be analyzed and the effect of the current price crash on Petrochemical products and the structure of the market will be given. Furthermore, the effect of the oil price crash on new projects will be highlighted.

Chapter 2

# THE OIL PRICE AS BASIS FOR THE PRICE OF PETROCHEMICALS

The important Petrochemical building blocks Ethylene, Propylene, Acetylene, Butadiene, Butenes, Benzene, Toluene/ Xylene are produced by cracking of crude oil fractions or gaseous feedstocks in Steamcrackers. These building blocks are the basis for Petrochemistry, producing a variety of products, such as plastics, paints, dyes, pharmaceuticals, fibers, textiles, and many other products of modern life. Of the Petrochemical building blocks, Ethylene is the one with largest volume and a current production capacity worldwide of approximately to 200 million MTA. About 55 to 60 % of the Ethylene is produced by Steamcracking of Naphtha, a fraction of crude oil with a boiling range of 40 to 180 °C. This high

share of Naphtha as raw material for Ethylene is the reason for Naphtha crackers being the price setter for the Ethylene market price.

Alternative feedstocks are based on fractions of Natural Gas, such as Ethane, Propane and LPG. Due to the transportation advantage of Naphtha compared to Natural Gases, regional differences for preferred feedstocks for Ethylene production have developed. Whilst countries with a lot of Natural Gas sources prefer gaseous feedstocks, countries without such sources have based their Ethylene production on Naphtha, available from refineries as a product of crude oil. Naphtha cracking produces most of the Petrochemical Building blocks as byproducts and thus

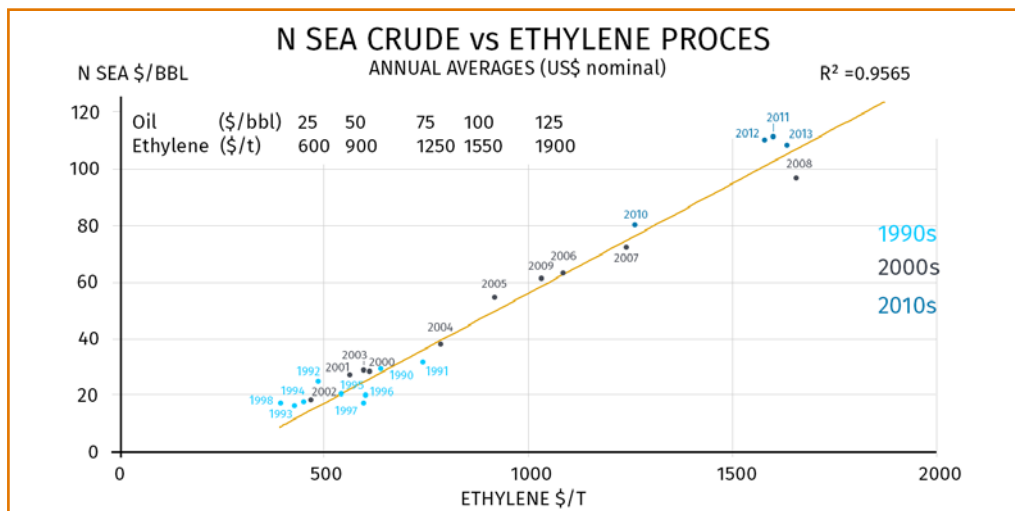


Figure 1: Ethylene average price vs crude oil price. (cf International eChem analysis)