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## **Methanol price surge against the Sino-US trade war**

Shandong (JLC), July 26, 2018--On July 11, 2018, the United States issued measures to impose tariffs on imports of about 200 billion US dollars of goods imported from China, and solicited public opinions on the measures. On August 2, the US announced that it would raise the tariff rate for the appeal of 200 billion US dollars of goods from 10% to 25%. In order to safeguard the interests of China, on August 3, the State Council Customs Tariff Commission decided to impose tariffs on 5,207 tax items imported from the United States. The measure involved about \$60 billion in imports from the United States. About 2,493 items of tax items were levied by 25% tariff, 1078 tax items were levied by 20%, 974 items were levied by 10%, 662 items were levied by 5%.Methanol was within the 25% tax-rate items.

Influence: On Aug 3, methanol futures prices for contract 1809 and 1901 all surged and hit the daily maximum rise limit. However, the methanol trading volume between China and US has always been somewhat limited. US's methanol export volume to China started to increase from 2016 when the methanol capacity in US increased. In 2015, Methanex removed its two sets of methanol units with both capacity at 1,000,000mt/yr to US and a new 1,300,000mt/yr unit was constructed in US by Celanese & Mitsui. According to JLC data, China imported 262,100mt methanol from US, taking up 3% of the total. In 2017, China only imported 78,800mt methanol from US.

<b>China Methanol Import Stat. from US and America</b>				
<b>Year</b>	<b>2016</b>		<b>2017</b>	
<b>Origin</b>	<b>Impprt</b>	<b>Percentage</b>	<b>Import</b>	<b>Percentage</b>
US	26.21	3%	7.88	0.97%
America	128.25	15%	254.98	43.61%

Up to present, US methanol capacity is about 7,850,000mt/yr, taking up 6% of the world total. On the one hand, US imports methanol from South America. On the other hand, it sold methanol to Northwest Europe. According to JLC data, US mainly imports methanol from Trinidad and Tobago, Venezuela and Guinea, with the annual import volume around 2.5-3 million mt.

<b>US Methanol Import Stat.</b>				
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<b>Origin</b>	<b>Imprt</b>	<b>Percentage</b>	<b>Import</b>	<b>Percentage</b>
Trinidad and Tobago	132.96	50.45%	130	49.30%
Venezuela	63.63	24.14%	58.7	22.26%
Guinea	29.48	11.18%	35.9	13.61%

For export, US exported 500,000mt methanol to South Korea in 2016, 200,000mt methanol to Belgium, and 110,000mt methanol to France. In 2017, US exported 800,000mt methanol to South Korea, 180,000mt to Northwest Europe, and 60,000mt methanol to Mexico. To total export volume of methanol was 1.2 million mt in 2017 in US.

In short, the Sino-US trade war will have limited affect on China methanol market. Market insiders should also focus on the fact that the newly-added methanol capacity mainly lie in Iran and US. In June of 2018, US has put its newly-constructed 1.75 million mt/yr unit into production, and the newly-added goods will be distributed to Asia from September of 2018. In the coming 3 years, US still has plan to put into methanol units into operation, with the total capacity around 3.5-4.5 million mt/yr. Since China is the major methanol consumer in the world, thus more US methanol will be sold to China in the future. So, though the Sino-US trade war has limited influence on China methanol market, the influence will gradually deepen in the future.

## **2018 semi-annual methanol data report**

### **1. China's methanol capacity exceeded 82 million mt/yr**

From January 2018, China's newly-added methanol capacity was 1.8 million mt/yr, mainly including units at Xinneng Fenghuang (Tengzhou) Energy, Shandong Jinneng Technology, Anhui Haoyuan Chemical and ENN Energy. These new capacity releasing area overlapped slightly with existing areas with large demand. Up to press time, China's methanol capacity exceeded 82 million mt/yr. In 2005-2014, China's methanol capacity growth rate was 26%; that in 2015-2017 slowed down to 5%. Elimination of backward capacity, industry upgrading and adjustment, environmental protection inspection, supply-side reform and other factors kept influencing methanol industry.

### **2. China's methanol imports may decline in 2018 amid limited international newly-added capacity.**

China methanol import volume was 3.709 million mt in H1 2018, down 187,000 mt YoY. Import volume declined obviously in Q2 2018, mainly influenced by some international unit overhauls, including units in Iran, Oman, Brunei, New Zealand, and Europe, with total capacity at 10 million mt/yr. China's total import volume was expected to be less than 8 million mt in 2018. The run rate of international methanol units was around 79%, down 4 percentage points from that in Q2.

Newly-added international methanol projects included the 1.75 million mt/yr unit at US Natgasoline. New units to be put into production included the 1.65 million mt/yr unit at Iran Marjan to be put into production in end-2018), the 2.3 million mt/yr unit at Kaveh to be put into production in, the 1.65 million mt/yr unit at Busher to be put into production in 2019, the 58,000 mt/yr unit at Canada Primus Green Energy to be put into production in 2019, the 1.7 million mt/yr unit at Shandong Yuhuang Chemical to be put into production in Q4 2019), and the 1 million mt/yr unit at Teba Caribbean Gas Chemical to be put into production in March 2019.

### **3. Profit distribution of the methanol industrial chain varied with methanol supply slightly tighter in China.**

Profit distribution of methanol industrial chain varied. Methanol enterprises gained good profits. For traditional downstream products, only acetic acid producers gain large profits. For new downstream products, PDH and oil-based polyolefin enterprises gained the most profits, and MTO (purchase feedstock methanol from the market) enterprises gained the least profits.

### **4. Port inventories were low in 2018; run rates of methanol enterprises were stable-to-rising**

Port inventories were stable at low levels in 2018 and many international newly-added projects were put off from starting up. Units in Iran, New Zealand and other international units took maintenance in March to May. Overall port stockpiles in East China declined to 296,000mt in H1 2018, down 30% from the average level of 415,400mt in 2017, and market transactions were sparsed