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100--ANALYSIS: Asian refiners may need to familiarize with heavier condensate

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- * Robust heavy condensate output expected from Australia, US
- * Iran uncertainty spurs condensate buyers to continue diversifying
- * S Korea's Hanwha Total considering splitter modifications

Asian condensate buyers are bracing for a future of heavier condensate supply from 2019 onwards, mainly from the US and Australia, a development that could pose issues for some of the region's condensate splitters designed to run on much lighter feedstock.

Some companies have cited plant modifications to run heavier feedstocks as a possible response.

Up until 2018, most condensate production in Asia, Africa and the Middle East typically had a gravity of 55 API and above, a range that fit well with many of Asia's condensate splitters. Recent projects this year however, have produced much heavier condensate with a gravity of around 50 API and with higher yields of residuals.

The bulk of Asia's heavy condensate supply growth will come from Australia's Ichthys LNG project.

The project shipped its first cargo of Ichthys field condensate on October 1, and field condensate production is expected to hit 85,000 b/d at its peak, according to field operator Japan's Inpex.

A preliminary assay report from a single production well showed Ichthys has a gravity of 50 API, sulfur content of 0.09%, and yields as much as 15% of fuel oil.

In comparison, Iran's South Pars condensate, a favorite of many Northeast Asian condensate splitters, has a gravity of 61.6 API, while Australia's North West Shelf condensate, Asia's most liquid condensate grade, has a gravity of 63 API. Both condensate grades yield little to no fuel oil on splitting.

Inpex expects to load 30 cargoes, each 650,000 barrels in size, of Ichthys field condensate from 2019 onwards, or around two to three cargoes each month, Shigeharu Yajima, Inpex's senior vice president of global energy marketing said at a recent industry event.

Senior executives at South Korea's Hanwha Total Petrochemical, one of the largest buyers of condensate in Asia, said heavy condensate could form a significant portion of the company's regular feedstock in the future.

"The new production is coming from Australia and the US. But it is completely different from the usual condensate that the market is used to. The Ichthys, the Eagle Ford 50, they are much heavier," said Sebastien Bariller, senior vice president of feedstock purchasing, energy and optimization at Hanwha Total.

"This means that in the future there will be a question mark: What is the ability of the condensate splitter to capture this market, to treat much heavier crude," Bariller added.

US EAGLE FORD

The US Eagle Ford condensate is also expected to become more prominent in Asia in the coming years as rising production and exports inevitably push more barrels into the region.

Most of that production will consist of the heavier Eagle Ford crude and condensate with a gravity of 40-50 API, but a growing portion will also come from the lightest condensate grade of 60 API.

Current Eagle Ford crude and condensate production is around 1.45 million b/d, according to US Energy Information Administration data. This is forecast to grow to 1.6 million b/d in 2019.

While a breakdown of Eagle Ford production by API is not available, production of 40.1-50 API crude from Texas, where Eagle Ford output was concentrated, was 2.41 million b/d in August 2018, while crude of 50.1 API and above was 436,000 b/d, EIA data showed

EOG Resources, the largest producer in the Eagle Ford, recently reported that its average API out of the play was 44 API.

US-based sources said there was strong buying interest for 60 API Eagle Ford condensate despite a tightness in supply.

"There's not much change [in output] on the 50-55 or 50-58 API barrels. But there is an increase of the 40-50 API," one US-based condensate buyer said.

Hanwha Total, for one, took delivery of its first cargo of Eagle Ford condensate with gravity of 52 API in April 2017, though that cargo had to be blended down as it was too heavy and had unsuitable specifications for its splitter.

Bariller said the company was studying the possibility of modifications to its splitters to directly take in heavier condensate, though discussions are still in the early stage.

IRANIAN SUPPLY

The discussions over condensate quality comes as the US granted waivers November 5 on Iranian crude purchases to key buyers including South Korea for 180 days.

S&P Global Platts previously reported that South Korea may only be able to import around 4 million-6 million barrels/month of Iranian oil under the waiver, down from as much as 15 million barrels/month at the peak of Iranian purchases.

"Nobody will know what will happen with Iranian sanctions. Nobody will know the rhetoric of the US. So now you can see in our potential purchase, we are trying to expand [our capability] to deal with as wide a quality as possible," Bariller said.

Yajima and Bariller were speaking to delegates at the recent Condensate and Naphtha Forum 2018 held in Singapore over November 8-9. The forum is organized by Conference Connection.

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