24th Annual
CONDENSATE & NAPHTHA FORUM
21 – 22 October 2020, 1pm to 6pm SGT
When The Dust Settles:
Condensate & Naphtha In A Post-COVID World

Organised by
CONFERENCE CONNECTION

PRESS CLIPPING

Naphtha supply may be 'liberated' from gasoline blending pool: FGE

Singapore (Platts)--22Oct2020/540 am EST/0940 GMT

Asia would see a significant deficit of naphtha in five years, and the source of these additional cargoes may come from naphtha originally intended for gasoline blending, Facts Global Energy said in a presentation at the Condensate and Naphtha Digital Forum on Oct. 22.

"We are going to see very strong deficit of cracker feedstock and that would definitely result in the East Asian naphtha markers to push upward, in order to incentivize refiners to push out more naphtha -- that will have to come out of the gasoline pool, or encourage refiners to shift yields away from middle/heavy distillate into naphtha," Armaan Ashraf, senior analyst at FGE said.

Downstream integration into gasoline and petrochemicals in the Middle East and India would impact naphtha surpluses in five years time, while on the demand side new cracker capacity and downstream integration into petrochemicals would expand the deficit, Ashraf said.

While demand is supported through the strong growth of cracking capacity, the portion of naphtha used as feedstock is decreasing, giving way to alternatives such as ethane, LPG, heavier oil products or crude, Ashraf said.

In 2020, naphtha makes up 73% of total feedstock, however, this is expected to fall to 70.9% in 2022 and then 69.5% by 2025, FGE data showed.

"We will see a strong growth of refining capacity in West Africa ... what this will do is cut the net short of gasoline, distillate and fuel oil in the West African region," Ashraf said.

This would slash margins for reforming and blending of naphtha in Europe, with knock-on effects globally, he added.

"Gasoline production margins out of Europe, Mediterranean and the US Gulf Coast would be heavily impacted, so we could potentially see a situation where MOPJ [Mean of Platts Japan naphtha] may strengthen to pull out or liberate naphtha from the gasoline pool, which is something worth thinking about for the next 10 years," Ashraf said.

However, the growing length of gasoline could result in refinery closures, which would lead to recovery in gasoline production margins, and counteract the effect.

-- Wanda Wang, wanda.wang@spglobal.com