

Coronavirus Updates (week of 23 March)

Asian trends

This report was prepared for WLPGA as a briefing note on the impacts of the Covid 19 crisis on Asian Pacific markets during the week of 23 March 2020. It was gathered from WLPGA members across the region and is being shared as part of WLPGAs efforts to provide information and data on global trends during this crisis.

- Crude price war is flooding the market and expected to have a negative impact on US oil and NGL production but not until 2021
- 2Q & 3Q LPG will be oversupplied, weighing on prices already burdened by lower oil prices
- Importers are grappling with high inventories and falling prices; cargoes were accepted or resold (India saw buying opportunities)
- Waivers introduced on Chinese tariffs for US LPG. Impact will not be felt until 2Q when more US LPG will head to China and less to SE Asia
- VLGC trade continues (BWLPG has publicly stated that their crews are in the front line of this virus with the ports they enter)
- Refinery demand for transport fuels has dropped (jet fuel (especially), gasoline and diesel) impacting LPG production
- Residential demand is robust with stay at home policy encouraging cooking at home
- Autogas demand dropped 20%+ as people prefer using own car (not Autogas taxis) and having less mobility with lock downs
- Industrial and commercial demand down (30%+)
- Chemical demand down too with PDH & Olefin plants running at low production

Country Specifics

China

Demand fell in February in large cities in China to 30% normal levels (migrant workers returned to rural areas & hotels, shops and restaurants shut down)

Demand in the south has recovered to 60-70% of normal in March and workers returning

No information about rural demand

PDH & Olefin units running at low production cutting LPG demand

Refineries cutting production (low demand for transport fuels)

LPG importers with high inventories and falling prices are trying to renegotiate with suppliers

Recovery is expected soon

South Korea

Autogas demand dropped because people using their own car instead of (Autogas) taxis

Demand for taxis also dropped because of drop in activities

Little change in pricing or distribution models at the moment

Sri Lanka

General elections in April have been postponed

Concern the pricing formula may decrease LPG prices even though the industry is struggling. A (lower) CP in April will influence this.

Residential demand is showing slight increase (<5%)

Demand in the industrial bulk and the commercial segment has fallen dramatically (30-45%)

Overall decline expected to be around 10%

Australia

Gas Energy Australia (GEA) have established a Covid-19 task force to:

- Identify key LPG industry risks
- Develop and circulate information to assist business management (e.g. relevant preventative measures and precautions)
- Identify potential cooperation arrangements between companies

GEA will use the taskforce to identify reliable sources of relevant industry information for member companies to reference when planning responses to this outbreak and covering such things as risk and exposure; mitigation strategies; current touch points and business continuity.

Current issues include:

- Essential service legislation and the definitions of essential service, particularly during shutdown
- Availability of supplies for employees while travelling
- Government advice regarding the outbreak
- Procedures enacted by companies

New Zealand

Is in lock down mode and:

- Struggling to continue to provide LPG as an essential service
- Struggling to comply with the annual certification requirements (it might lapse)
- Finding more than usual number of 45kg cylinders leaking around the foot-ring and base (Good Industry Practices working group have been asked to validate this in their area)