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## LPG markets in the midst of COVID-19



illuminating the markets

Market Reporting

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Events

# Argus: Independent Commodity Price Reporting Agency and more....

- One of the world's leading PRAs, Argus is a team of 900 staff members in 19 global offices
- Publishing more than 11,000 daily spot and forward price assessments, plus market intelligence for world commodities markets
- Coverage includes:
  - Energy
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  - Conferences
- Indexation examples
  - US crude oil
  - US and European refined products
  - US and European natural gas
  - European and Asian LPG
  - US and European environmental markets





# A brief recap on 2020 so far.....



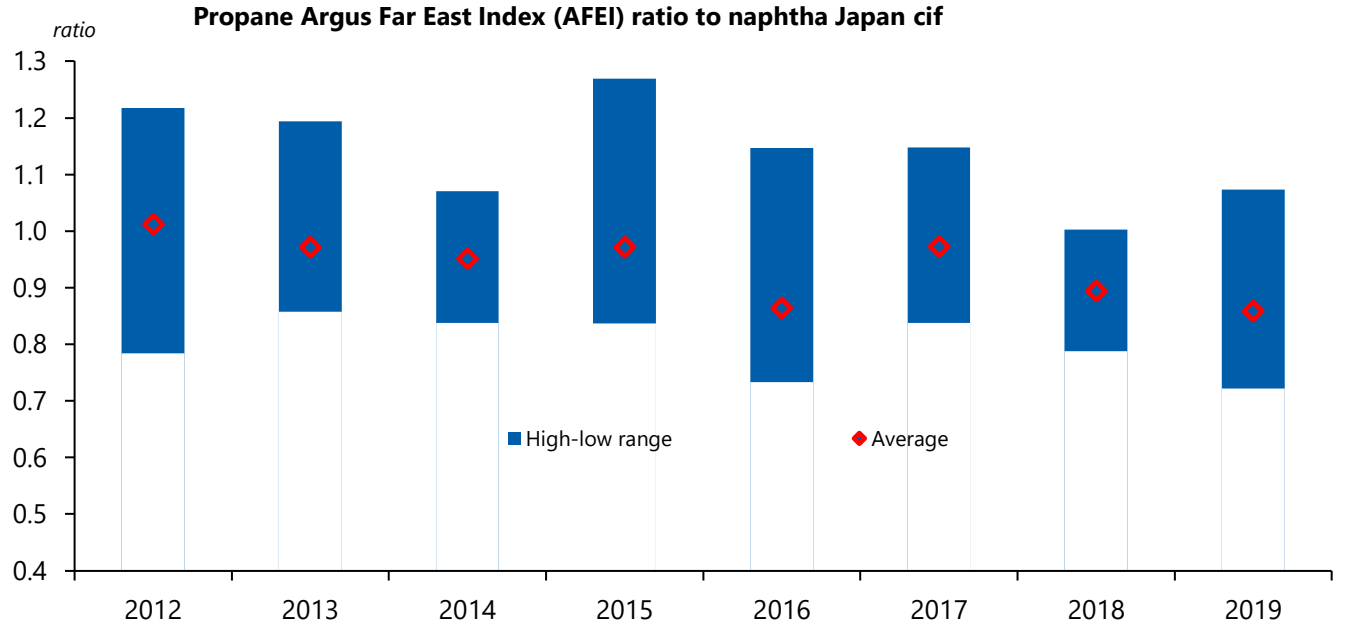
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# 2010-2019: Global LPG length weighing on prices

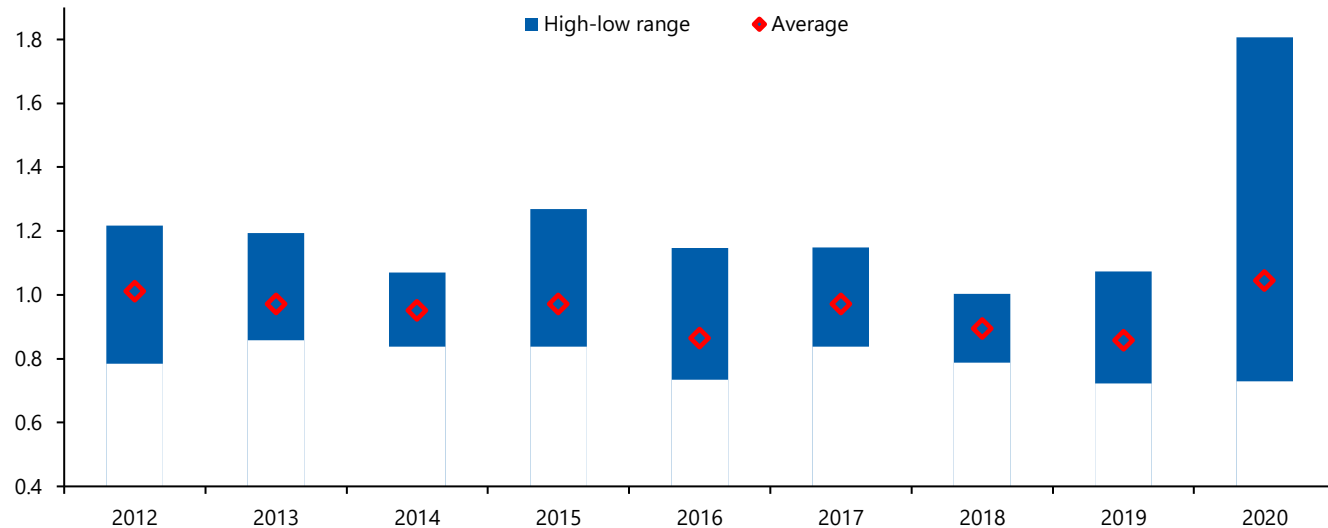


— Argus

# 2020: Off the charts

ratio

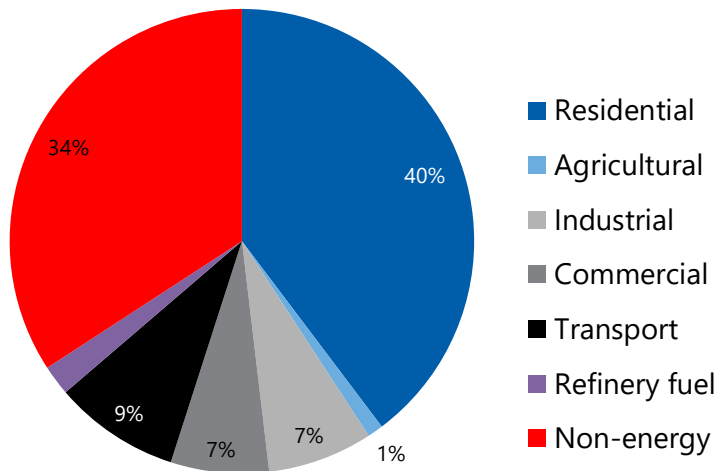
Propane Argus Far East Index ratio to naphtha Japan cif



— Argus

# LPG is versatile – as demonstrated by its global demand profile

LPG demand by sector, 2018



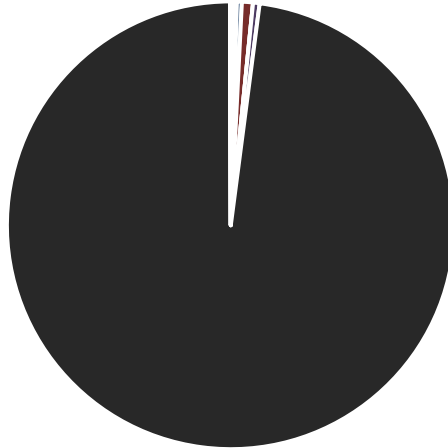
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- **Residential demand** is broadly characterized as heating in cold developed countries and cooking in warm developing countries
- **Non-energy** –LPG is a key petrochemical feedstock and a component of other oil products
- **Industrial/Commercial** – use in either industrial processes in off gas-grid settings, and hotels/restaurants
- **Transport** – LPG is third most common road transport fuel globally, after gasoline and diesel
- LPG also numerous applications within these categories including power generation, aerosols, cigarette lighters, and forklift trucks.

# The demand profiles of gasoline and diesel are less diverse

- Refinery Fuel
- Electricity
- Other T & E
- Industry
- Petrochemical
- Residential
- Commercial
- Agriculture Forestry & Fishing
- Other Non Energy
- Shipping
- Road
- Aviation
- Bunkers
- Other Transport

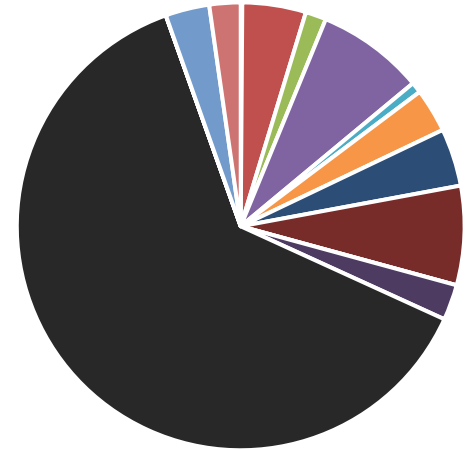
Gasoline demand by sector, 2018



— Argus

- Refinery Fuel
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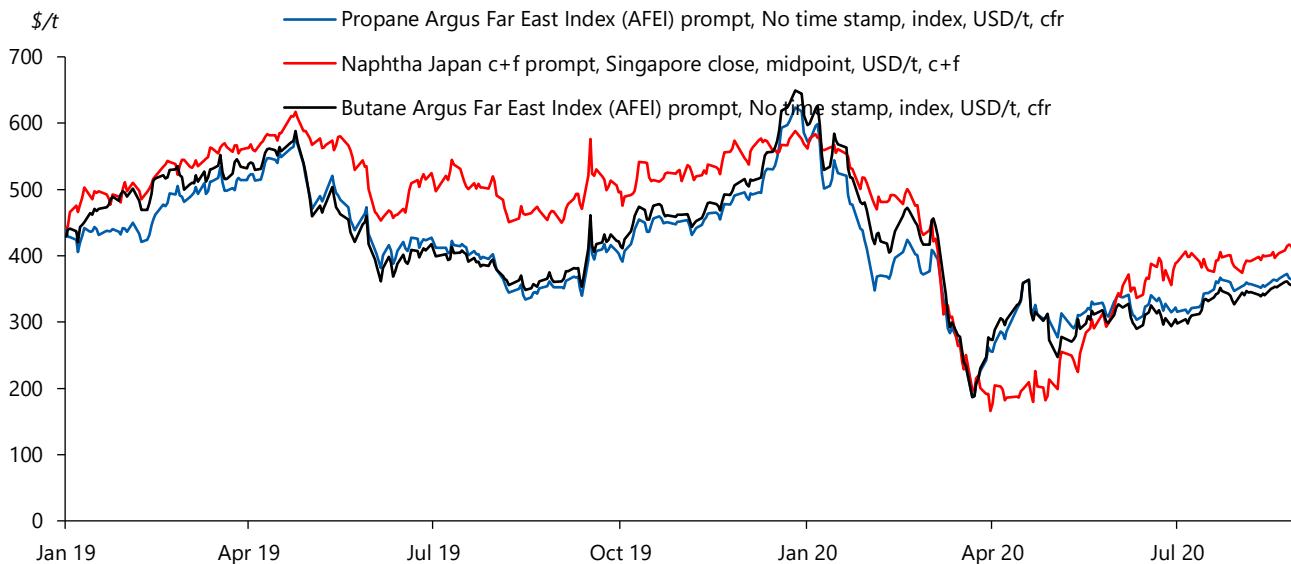
Diesel demand by sector, 2018



— Argus



# The strong LPG premium was a direct result of its demand profile



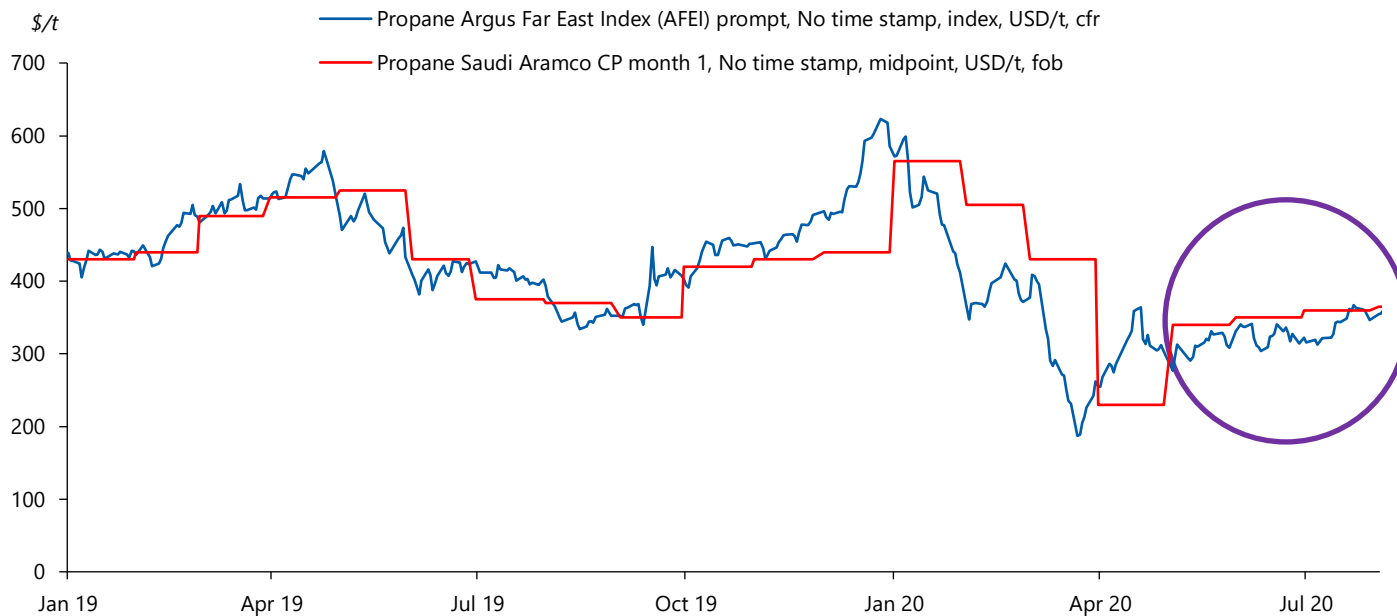
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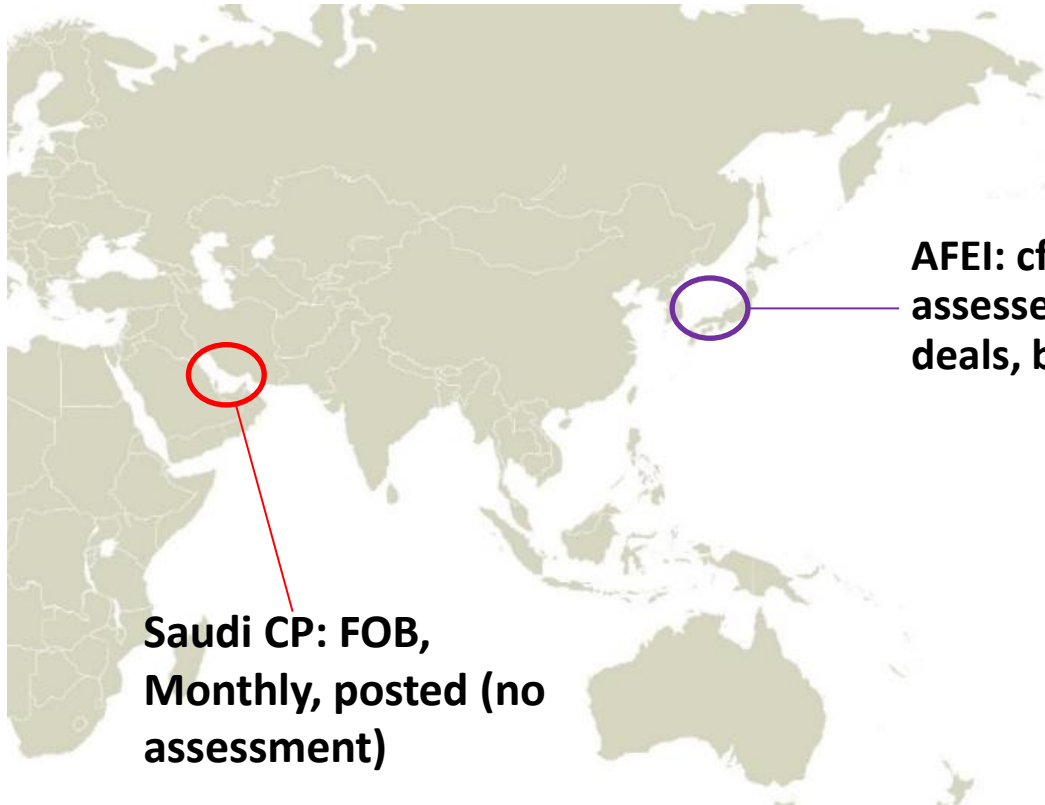
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# The Saudi CP has remained stubbornly high



— Argus

# Asia has two benchmarks: Saudi CP and the Argus Far East Index (AFEI)



**Saudi CP: FOB,  
Monthly, posted (no  
assessment)**

**AFEI: cfr, daily,  
assessed on  
deals, bids offers.**

- AFEI has more than 20 years of history
- Is used in spot and term deals
- Has a highly liquid swaps market

# Asia has two benchmarks: AFEI and the Saudi CP

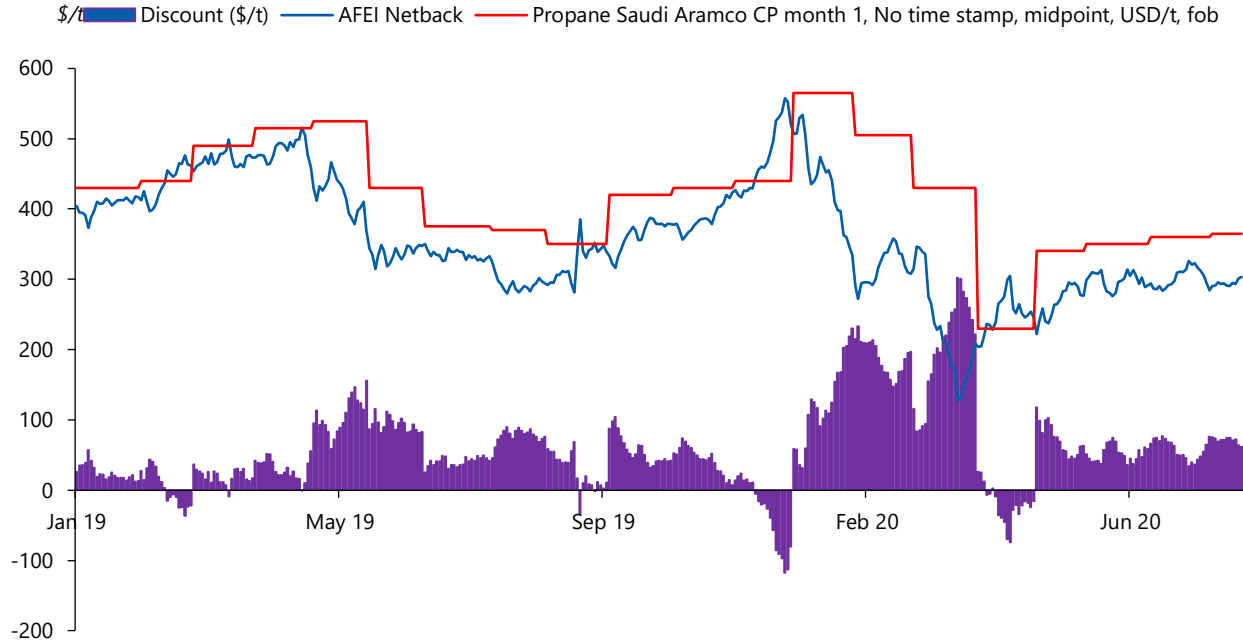
Argus Far East Index	Saudi Aramco Contract Price
Daily	Monthly
Cfr	Fob
Assessed on deals/bids/offers	“Black box” Producer price – uses CP term customer recommendations
120mn tonnes swaps	50mn tonnes swaps

# AFEI is used as an LPG pricing basis around Asia and beyond



- AFEI has become widely used in recent years — for both spot and term contracts
- FEI netback is used for both Canada exports and by most producers in the Middle east.
- New production such as off-shore Australia
- Saudi Arabia uses internally for LPG sales to the petrochemical sector
- All alongside core usage in Japan, Korea, China.

# The differing methodology results in different values



- AFEI *generally* offers value against CP

# CFR Bangladesh: Is it time for published price?

- Argus already provides references for other pressurized markets in the region
- These are used for both spot and term deals
- Methodology: Numerous options — assessed an actual deals, calculated cost of delivery, differentials to other locations, breakbulk points etc.
- Cfr Vietnam, South China pressurized
- South Africa LPG Index



Asia-Pacific Market Bulletin  
**Argus International LPG**

Issue 20-169 | Friday 4 September 2020

Pearl River Delta Index					2828.00 -68.00					
11+11 Propane/Butane mix					Monthly averages					
	±	Bid	Ask	±	Month				\$/t	
Japan cfr	+14.00	355.00	359.00	+14.50	Propane Argus Middle East Index	Sep	351.250		351.000	
					Butane Argus Middle East Index	Sep	351.000			
					Propane Argus Far East Index™ (AFEI™)	Sep	354.313			
					AFEI™ diff to M1	Sep	-30.190			
Argus Mixed Index		357.00		+14.25	Butane Argus Far East Index™ (AFEI™)	Sep	354.063			
					Argus Mixed Index	Sep	354.188			
					Propane Argus South China Index	Sep	380.750			
					Butane Argus South China Index	Sep	380.500			
					Propane Argus East China Index	Sep	372.500			
					Butane Argus East China Index	Sep	372.250			
					Pearl River Delta Index	Sep	2828.000			
					Argus South Africa LPG Index	Sep	445.947			
Pressurised cargoes										
	CP basis	Timing	Propane			Butane				
			±	Bid	Ask	±	±	Bid	Ask	±
South China CP fob	Sep	Sep	+4	37.00	47.00	+4	+4	37.00	47.00	+4
South China fob		Sep	+4	402.00	412.00	+4	+4	392.00	402.00	+4
South China CP cfr	Sep	Sep	+4.00	67.00	77.00	+4.00	+4.00	67.00	77.00	+4.00
South China cfr		Sep	+4	432.00	442.00	+4	+4	422.00	432.00	+4
Vietnam CP cfr	Sep	Sep	+5.00	95.00	105.00	-5.00	+5.00	95.00	105.00	-5.00



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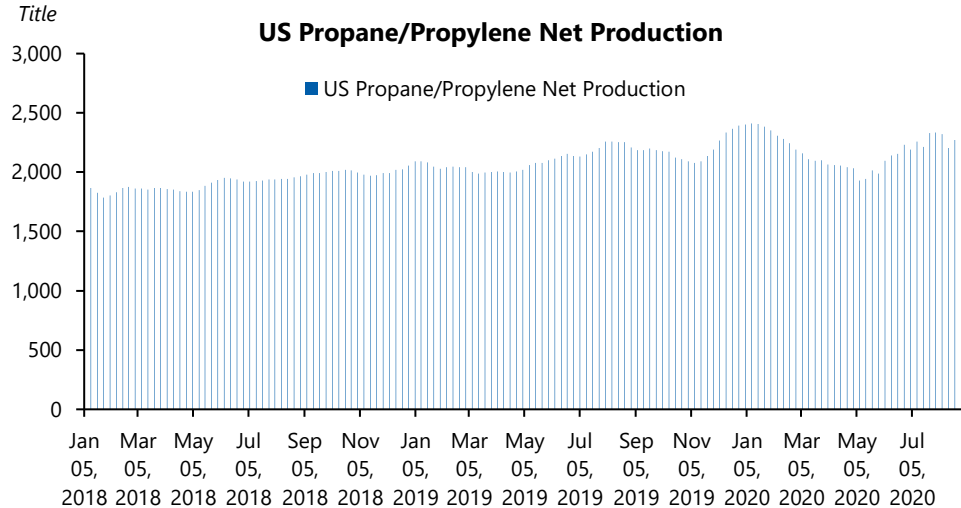
# What next for LPG markets?



## Key Points in the LPG Outlook going into next year

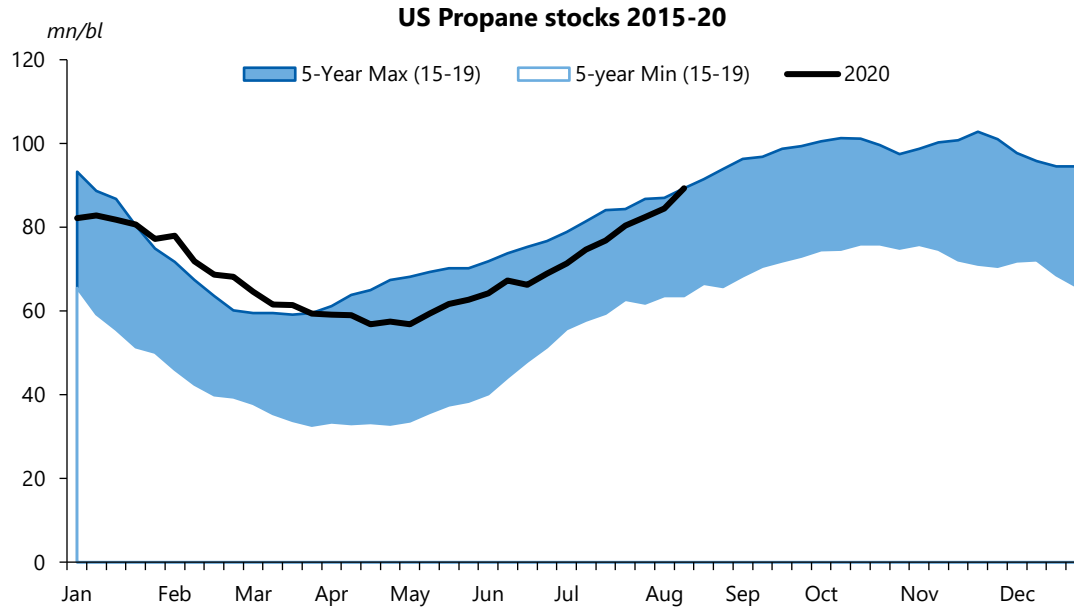
- Production growth may be curtailed but the market is well-covered until Q4. Localized shortages could return if lockdowns are reimposed. Opec+ to continue to balance the market.
- Some infrastructure and demand side projects may be delayed or cancelled.
- LPG demand will remain less affected by COVID-19 than other oil products (LPG is somewhat “COVID Proof”).
- Slow rising crude will result on a similar price trend in LPG – with seasonality likely to come into play.

# Key data point: US Production



- Production rally has buoyed supply
- Key period will be Q4 2020.
- Prevailing crude pricing is sustaining volumes

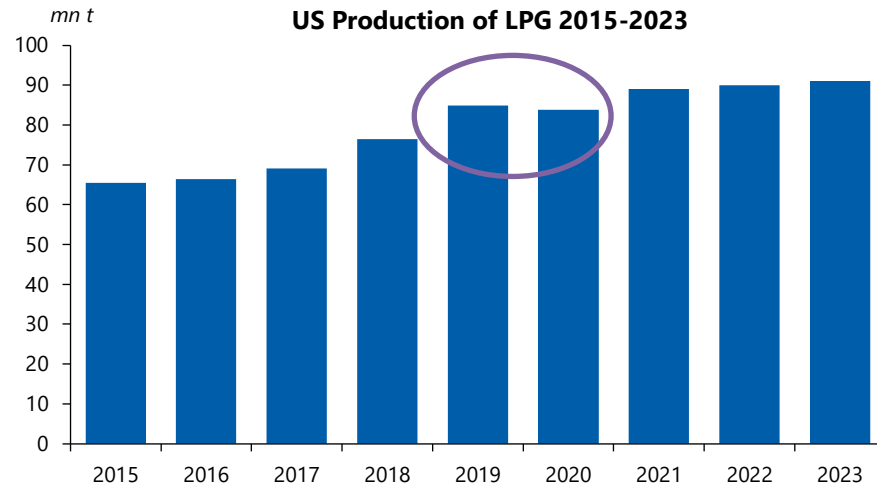
# Market remains covered by high stocks



- Historically high stocks in Q1
- Reaching record levels in August 2020
- Q4 will be crucial— once northern hemisphere markets need product.

— EIA;Argus

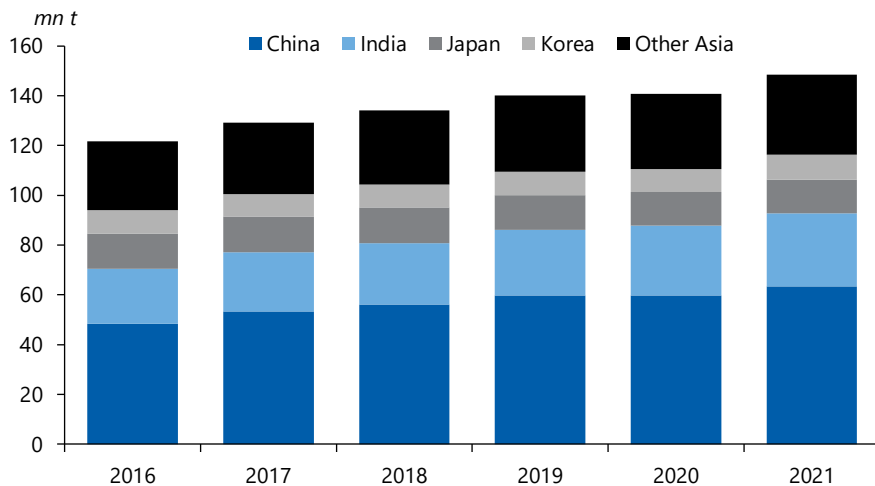
# US Production growth is expected to be flat to negative



— Argus

- Growth in production is forecast to be negative, but not significantly so, according to our latest view.
- Firm crude sentiment has already resulted in some of the worst fears of supply shortages subsiding.

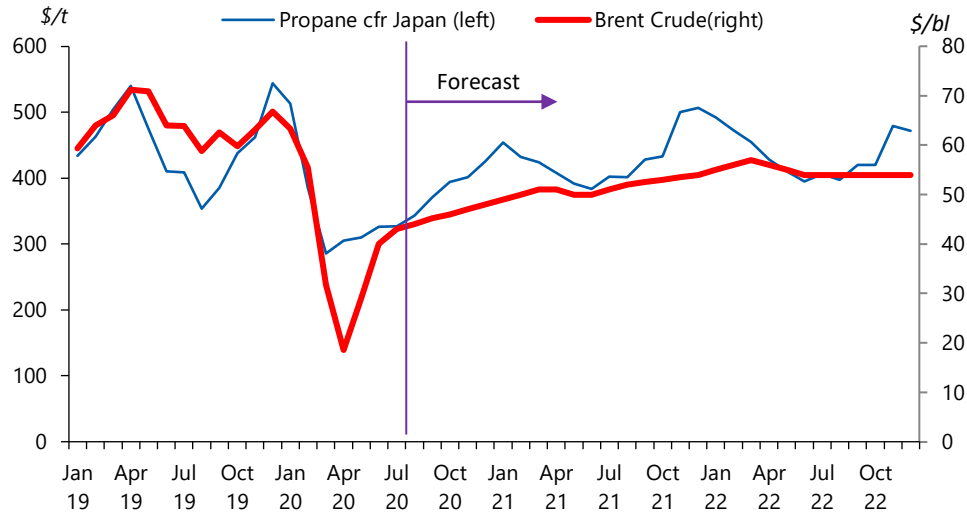
# Demand from Asia is also likely to be flat in 2020



— Argus

- 2020 demand is expected to be similar to 2019, with a slight dip due to reduced consumption in Q2 in particular, and somewhat curtailed growth in less developed countries.
- We currently expect a return to growth in 2021

# Price recovery is underway already — though is uncertain



— Argus Consulting

- Gradually rising prices are expected until year-end.
- LPG seasonality will come into play
- A lot of uncertainty remains: if crude reverses, the picture will be very different.



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Thank you very much!

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