

## Appendix 13

### ***NON-CONFIDENTIAL***

#### **Attractiveness of the UK market**

The following extracts are taken from three main PVC market monitoring services (CMA World Vinyl Report, Platts Polymerscan Weekly and ICIS CDI Report). The extracts highlight the main reasons why the UK is an attractive destination for PVC imports from countries with significant PVC overcapacities.

**CMA (Chemical Market Analytics formerly IHS) 2023 version, published in December 2022.**

***CMA World Vinyl report – page 68***

*[redacted – confidential information] This Applicant provides two graphs. On the left, a graph highlighting China PVC capacity forecast. On the right, a graph highlighting China PVC net trade. By way of non-confidential summary, the graphs show that Chinese capacity is growing, and that China is switching from imports to exporting PVC. This shows that there is less space for the US to export to China as Chinese import demand is decreasing.*

***CMA World Vinyls report – page 34***

- Europe's high-cost position makes it a destination of choice for PVC imports from North America and Northeast Asia where producers have a cost advantage over West Europe. Between 2022 and 2027, PVC imports to West Europe are expected to remain 35-40% higher compared to the average import volume between 2017 and 2021. Although West Europe's PVC imports in 2022 have increased, they have not increased to the extent supported by current economics. In 2022, logistical issues such as port congestion, warehouse congestion, and labor shortages are adding to shipping constraints from the USGC.

***CMA World Vinyls report – page 63 onwards***

- PVC exports as a proportion of production reached a five-year high at 7% in 2021. Between 2022 and 2032, this ratio is expected to remain about 6% or more. In 2021, 29% of PVC exports from mainland China went to Southeast Asia and 36% went to the Indian Subcontinent. Between 2022 and 2027, PVC exports are projected to grow slower than domestic demand at 2.3% AAGR as local producers are expected to supply more to the domestic market and channel less volume to export markets. Between 2027 and 2032, domestic demand growth is expected to slow while exports increase at 5.1% AAGR as more resin is channeled toward the export market.

## **Platts (S&P Global) Polymer scan: listed as week published for 2023.**

### ***Platts PolymerScan week 21***

Worsening macroeconomic factors have suppressed demand in May and pressured producer margins, with some producers in Europe saying that May PVC prices have declined significantly.

Although some producers at the start of May had considered a reduction in monomer passthrough costs of about Eur10/mt, one of them accepted reductions of up to Eur100/mt to large consumers, with average passthrough cost reductions totaling Eur70/mt compared with April.

Producers blamed weaker demand and high production rates in export markets, such as the US, which has sought to export most of its excess product to Europe. "Demand was damned low in May and all efforts by PVC producers to reduce prices did not end up in collecting more volumes. Buyers are reluctant to build up stocks and their demand is extremely poor," a producer said.

### ***Platts Polymer Scan week 18***

Turkish market participants were awaiting the Turkish election for more market direction in terms of where demand might evolve. In Europe, market sources pointed to high inflation and rising interest rates weighing on the market, stifling discretionary demand.

Added to this, production in exporting countries such as the US is running at full operating rates and freight capacity is also full and freight rates are at competitive prices. US exporters were willing to continue to produce as long as production costs were not negative, and this posed a problem for European suppliers that were saddled with higher energy and upstream production costs and meaning they would have to compete at below cash cost levels. The key difference is that in 2023, for the first time since 2020 and the start of the pandemic, both the US production and logistics systems are functioning at full capacity with freight rates competitive enough to supply into Europe at close to or below cash-cost levels.

### ***Platts Polymerscan week 17***

## European and Turkish PVC: European spot prices fall on weak demand, ample supply

- Buyer's market forces prices lower
- Fewer Turkish offers as prices rise

European PVC spot prices remained under pressure from continued weak demand and ample global supply.

With Asian demand weak, US and Middle Eastern suppliers were looking to divert product away from Asia and toward Europe, where prices were higher and where producer costs were reflective of that.

This meant that in some cases, European producers were faced with a difficult margin squeeze.

Producers had to give up more of the April European ethylene feedstock decrease than they would have wanted, but with demand weak, they had little choice.

Contracts fell by Eur30/mt on the week and were within a range of Eur1,450-1,500/mt DDP, while spot prices were seen as low as Eur950-1,050/mt DDP for US import indications and European origin product was seen within a Eur1,150-1,350/mt range — far more uncompetitive.

And while European supplier offers into Turkey were heard as high as \$930/mt CFR Turkey, some market observers said European producers could not possibly compete with other duty-free origins.

## Platts Polymer Scan week 14

### Asian PVC: Flat to \$20/mt higher on week amid stronger crude

- Market firmer as crude oil rises
- India's Q1 PVC imports estimated at 900,000 mt

Asian polyvinyl chloride was assessed flat to \$20/mt higher week on week April 5.

Platts assessed the CFR China PVC price unchanged week on week at \$800/mt April 5, while the CFR Southeast Asia price rose \$20/mt to \$840/mt over the same period, according to S&P Global Commodity Insights' data.

Meanwhile, Platts assessed the CFR India PVC price flat from the previous week at \$840/mt April 5, the data showed.

The market sentiment is seen to be firmer amid bullish western crude oil futures. Platts-assessed June ICE Brent futures rose \$7.05/barrel week on week to \$85.42/b April 5, S&P Global data showed.

Spot supplies from China are seen to be limited in line with lower plant operations amid negative margins. Some market sources said carbide-based PVC plant operations are particularly coming down.

Despite a firmer market sentiment, market participants still expect fresh offers for May to be reduced. For April, fresh offers were slashed \$60-\$70/mt from March to \$865/mt CFR China, \$900/mt CFR India and \$820/mt FOB Taiwan.

Fresh offers for May would be announced in few weeks time, according to market sources.

Meanwhile in India, market participants forecast that India's PVC imports stood at 318,000-320,000 mt in March compared to 340,000 mt in February. Considering that, India's PVC imports for the first quarter are estimated at around 900,000 mt, almost half of its yearly imports of 1.865 million mt in 2022.

In the domestic market in India, PVC resin was stable from the previous week at Rupee 80/kg ex-Mundra.

Platts is part of S&P Global Commodity Insights.

## ICIS: 2023 March edition (published in April)

### ICIS CDI report March for PVC

Export markets are weaker, though sales from the U.S. remained significant in February. Prices have stalled and are now falling. India, who largely pulled export prices up from the price bottom on strong demand, is strikingly quiet and lackluster. Traders and resin producers are not receiving orders, even with lower price points. Yes, monsoons are in the near future, but most players attribute the lack of buying to satisfied inventory and waiting for lower prices. Multiple price reductions by some regional suppliers and a large reduction in the monthly offer price in Taiwan failed to generate much change in sentiment.

Demand in Asia has shown no signs of a surge since the reopening of the Chinese economy. Oversupply in the region has led to sharper than expected price cuts in Asia, and reports are that the steep decline in prices failed to find enough buyers for this month's allotments in the region. China, once again, is at the heart of changes in the global market, and not in a good way.

Demand in Europe remains weak, and prices are under pressure. Turkey is still not back to normal. Demand in Latin America is described as decent.

Despite the weakness described above, U.S. producers are finding the needed export outlets for their resin, though at lower prices. February's export sales were robust at over 500 million pounds or 37 percent of total production. We expect fewer total export sales in March statistics, based on two producers being largely out of the market due to planned outages.