

Global Ethylene Short-term Outlook

January 19, 2026

US alarms with actions in Venezuela and Iran amid a looming Supreme Court tariff ruling

Executive Summary

Assumptions:

- Amid volatility and uncertainty, 2026 global GDP growth is at 2.7% (US at 2.2%, China at 4.6%, Eurozone at 1.1%).
- Continued oversupply and margin pressure expected through 2027, amid rationalization and consolidation
- Brent crude prices will fall to \$57/b in Q2 2026, driven by higher production, as Henry Hub natural gas peaks at \$5.61/MMBTU in February on higher LNG exports.
- China's US ethane import tariffs at 1% and LPG at 11%
- LPG to be a favored feed through 2026 and 2027

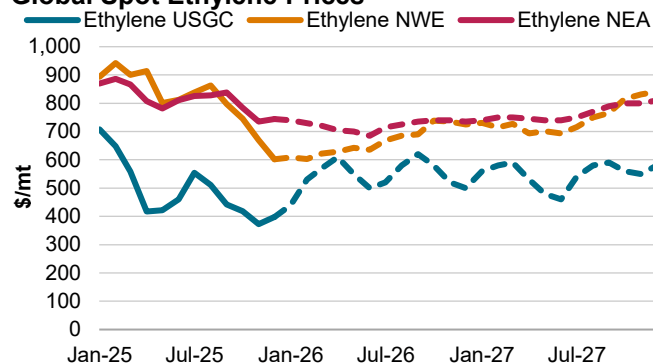
January variable margins remain near 5-year lows amid soft feedstock markets. Restocking and seasonal outages will provide some price support in 1Q. Meanwhile, US actions regarding Venezuela, Iran and Greenland are adding uncertainty. Olefins could be affected by higher feedstock costs.

Global Industry Rationalization: Following the Fife, UK announcement, the market is waiting for firm closures in Asia. Korea is planning closures at each of the three major sites, while China's anti-involution policy could result in shutdowns, and there are rumors that ExxonMobil may close their older cracker in Singapore. We have added a rationalization table in the Appendix in this issue.

Manufacturing PMI in China was 50.1% in December, increase 0.9%. The production index is 51.7%, indicating that producers are accelerating their production. The new orders index, which reflects market demand, increased 1.6% to 50.8%.

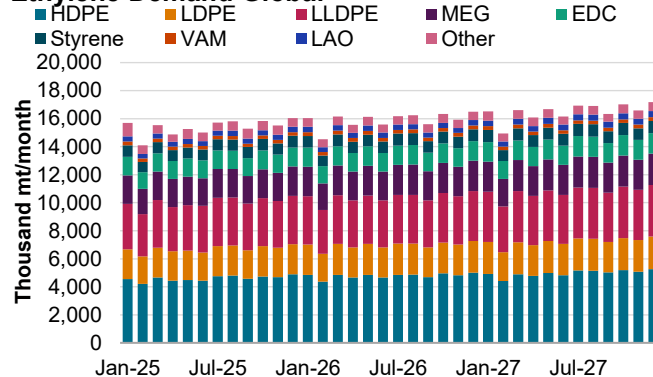
Middle East & Africa: In Saudi Arabia, incremental feedstock allocations under policy frameworks from the "Gas 1 Phase Jafurah" will strengthen ethane/NGL security and foster the long-term advantage of integrated assets with less exposure to oil-linked inputs. For approved but unallocated feedstocks, the optionality to increase feed allocation indicates positive earnings for the producers, even amid a soft demand environment. Meanwhile in UAE, Borouge's new ethane cracker is nearly complete and ADNOC / OMV have agreed to re-contribute the Borouge 4 expansion at its cost of \$7.5 billion to the new entity by year-end. On the other hand, while Aramco is considering an integrated petrochemical complex at the Yanbu Samref refinery, Sabic has recently announced the divestment of its crackers and derivatives plants in Europe.

Global Spot Ethylene Prices



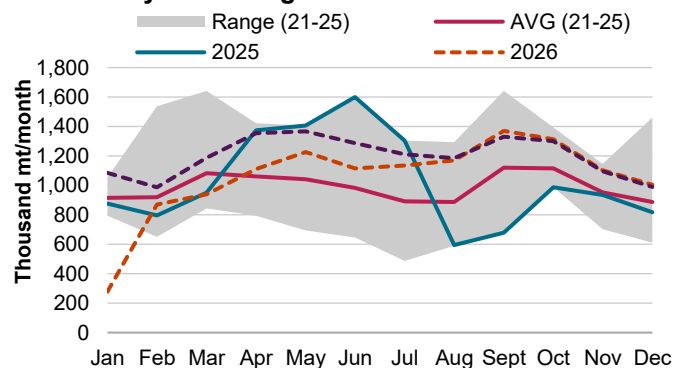
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Ethylene Demand Global



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Global Ethylene Outages



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Americas

Demand: The US Supreme Court is expected to rule soon on the legality of President Trump’s tariffs under the IEEPA. We expect that another tariff justification will be used if the court rules against Mr. Trump. US polyethylene (PE) prices continue to increase on market tightness from outages and reduced production rates, but not from any increase in demand. US monoethylene glycol (MEG) prices have partially rebounded from a 5-year low on Dec. 12, likely driven by concerns over Iranian supply rather than any increase in demand. An unplanned outage at Nan Ya at Point Comfort starting in the second half of November is expected to stretch through Q1 2026. Indorama will start a planned maintenance at its Clear Lake MEG facility in February. The US continues its struggle to replace lost MEG trade with China. Cancellation of an export VAT rebate on April 1 may make Chinese MEG less competitive and could possibly create opportunities for the US in some markets that China serves. US polyvinyl chloride (PVC) spot spreads remain near zero. Westlake Chemical announced the closure of its 1 billion lb/year PVC plant in Aberdeen Mississippi but expects to be able to meet demand from other US facilities.

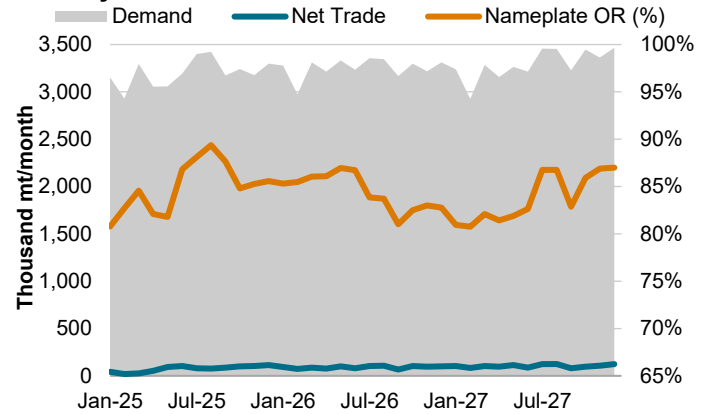
Supply: Ethylene supply remains long. Shell Monaca was down for 10 days during the second half of December but has resumed operation.

Feedstocks: MB purity ethane prices have been falling since Dec. 5, from \$230/mt to \$144/mt on January 16, following natural gas, and owing to strong production and weak LNG demand. MB ethane prices will likely rebound with natural gas as new LNG plants come on, and they are currently projected to peak around \$282/mt in Q1 2026. The variable cost of ethane cracking will track ethane prices.

Mont Belvieu propane prices were also falling hard in December but have stabilized in early January, ranging from \$304/mt to \$317/mt. US propane production and inventories remain high, keeping downward pressure on prices. Despite the recent drop, MB propane prices could fall to around \$220/mt by June as domestic heating demand declines and crude prices drop. The low propane prices will encourage feedstock switching away from ethane and drive higher cracker propylene production in 2026 and 2027.

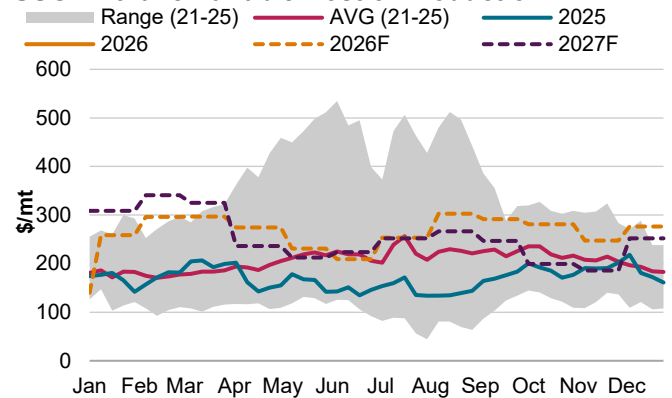
Prices & Margins: US ethylene prices did not follow the plunge in ethane prices in December but have dropped from about \$430/mt to about \$400/mt in January, through to Jan. 16. New LNG projects, supporting higher ethane prices, together with the spring turnaround season, are expected to lift US ethylene prices near to \$610/mt by April 2026. US variable margins are projected to average \$276/mt on average in 2026, and \$296/mt in 2027.

US Ethylene Market Outlook



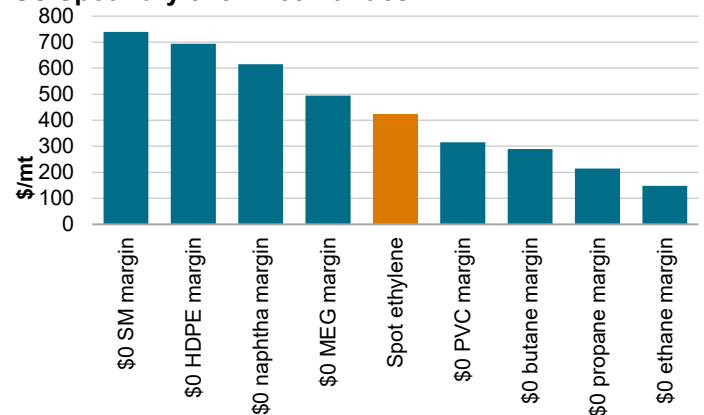
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USGC Ethane Variable Cost of Production



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Variable Cost of Production = Feedstock - Coproducts + Variable Costs
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US Spot Ethylene Price Parities



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Europe

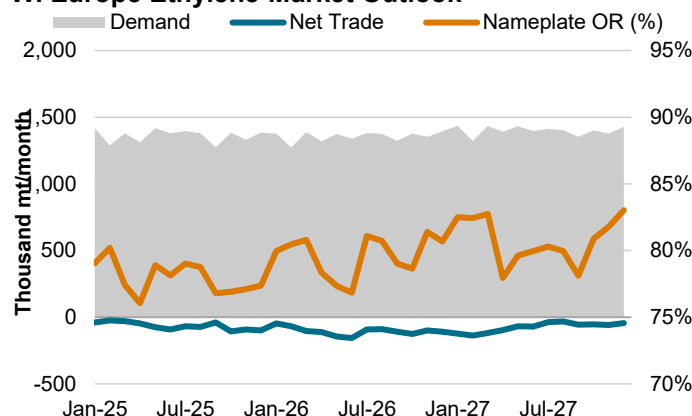
Demand in Europe shows continued weakness due to poor underlying derivative demand, competitive imports and end-of-year inventory management. Whilst derivative producers are returning after the holiday season, the market remains cautious, attributing comparative demand to restocking rather than underlying market conditions. Sabic's 400,000 mt/year LDPE plant at Wilton remains offline with a restart reported as unlikely before the end of first quarter. Vynova's Runcorn and Wilhelmshaven sites entered insolvency proceedings in December, though the latter is still running according to the Administrator. Whilst no formal statement has been made regarding Runcorn's operational status, the implication is that it also continues to run as it supplies ethylene dichloride (EDC) to Wilhelmshaven.

Supply: The Ineos Lavera cracker remains offline as part of major turnaround but is expected to return in the coming months. Elsewhere in the Mediterranean, Libya's Ras Lanuf cracker remains offline again due to feedstock availability. LyondellBasell have restarted their cracker in Wesseling, following economic idling at the end of 2025, whilst it is unclear whether MOL at Tiszaújváros has returned after undergoing the same. ExxonMobil's Moss Moran cracker, of which Shell have 50% offtake rights, is expected to close permanently in February, whilst a number of significant turnarounds at Moerdijk, Ludwigshafen and Geleen is expected in Q2 2026. There are some concerns about the supply impact of the latter in the event of any additional, unexpected disruption, particularly to the East of the cluster. US ethylene import supply is still a possibility, but there has been minimal trade discussion on import volumes.

Feedstocks: The average cost of ethylene production based on naphtha in Northwest Europe fell in December, following lower oil and naphtha prices. European naphtha cracks tracked sliding values in Asia as supply increased with runs. Fundamentals remain weak, with a potential glimmer of hope stemming from higher WAF gasoline import needs during Dangote's RFCC stop. Russian exports slowly increase but need new buyers as Asia is cautious. The propane price rally continues, making naphtha cracking more attractive on paper at the moment, however, margins remain poor. So far in January, crude oil and associated feedstocks have risen in response to geopolitical tensions in Venezuela and Iran. However, the longer-term price outlook remains bearish with Dated Brent forecast still expected to fall to an average of \$58/b in 2026 and will only be expected to recover in second half of 2026.

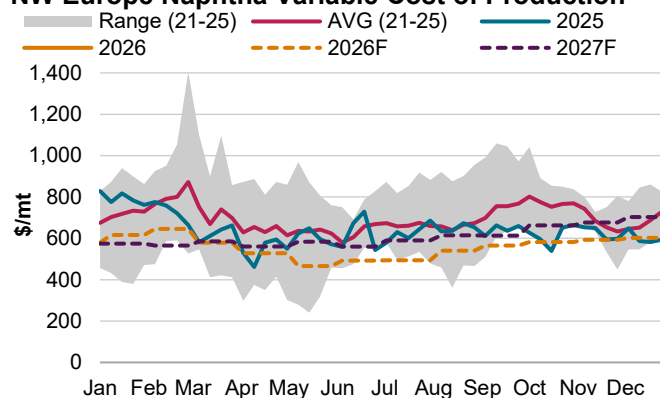
Prices & Margins: The ethylene MCP in January settled at €1080/mt, representing a partial pass-through of December's naphtha savings, though subsequent feedstock increases put margins under pressure. Spot ethylene offers have firmed, showing lower discounts to MCP in the second week of January, though actual trading activity remains limited.

W. Europe Ethylene Market Outlook



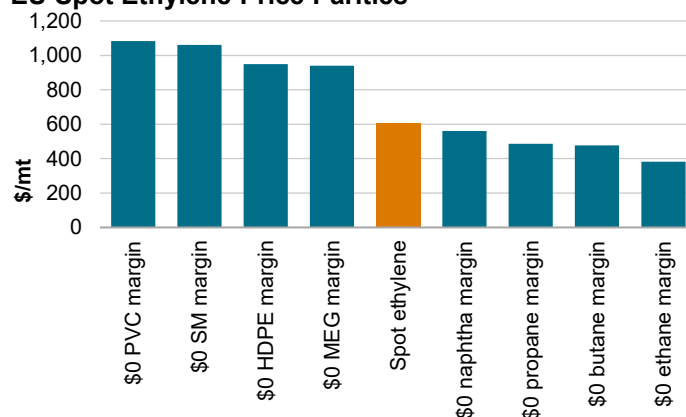
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NW Europe Naphtha Variable Cost of Production



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EU Spot Ethylene Price Parities



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Asia Pacific

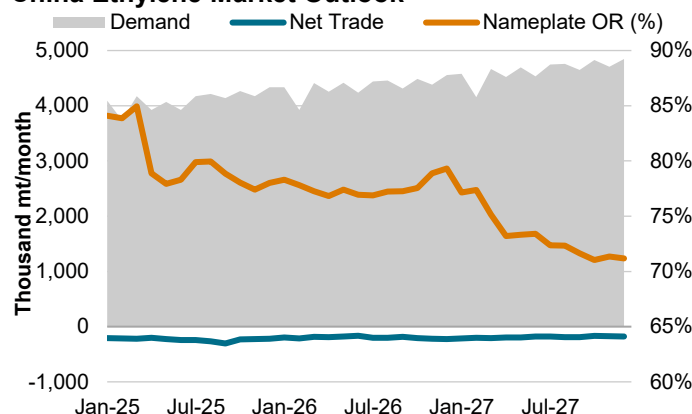
Demand in Asia remains weak due to ongoing market oversupply. PVC prices have hit record lows, with no sign of recovery. PE and MEG markets are similarly stagnant, with spot prices at historic lows. In China, most downstream products, especially PVC and ethylene oxide/MEG are seeing a decline in consumption in the off-season, while styrene (SM) production has slightly increased. Although demand may rise slightly after Lunar New Year, persistent economic challenges are expected to restrict any significant market recovery.

Supply in Northeast Asia had tightened slightly in December due to limited spot availability amid contract negotiations and upcoming Japanese maintenance, but the sentiment eased toward year-end on expectations of new Chinese cracker output. Domestic supply in China increased with plant restarts and new capacity additions. Levima launched a 152,000 mt/year methanol to olefins line in December, BASF's 1 million mt/year steam cracker came online in early January, and Wanhua No. 1 cracker resumed after upgrades. In Southeast Asia, supply lengthened as PefChem restarted in December and some regional producers in Indonesia and Malaysia added year-end spot cargoes sales amid continued downstream demand weakness. Aster in Singapore remains offline for six months, with restart expected in Q1 2026. Chandra Asri in Indonesia is expected to begin maintenance of its 900,000 mt/year plant at the end of January, but no supply tightness is anticipated.

Feedstock outlook in Asia remains weak through 2026, with S&P Global projecting Dated Brent crude oil to fall to \$58 per barrel. In early January, Asian naphtha prices dropped to \$524 per ton due to oversupply and weak demand, before rebounding to \$560 per ton. The LPG-to-naphtha ratio rose to 1.04 from seasonal heating needs but may ease as demand subsides. Propane's feedstock competitiveness is to be boosted by rising naphtha demand from new Chinese cracker projects and increased LPG supply from Saudi Arabia's Jafurah gas field. Middle Eastern naphtha exports are forecast to reach 3.7 million metric tons per month in early 2026 as refineries restart, relieving first-quarter supply constraints.

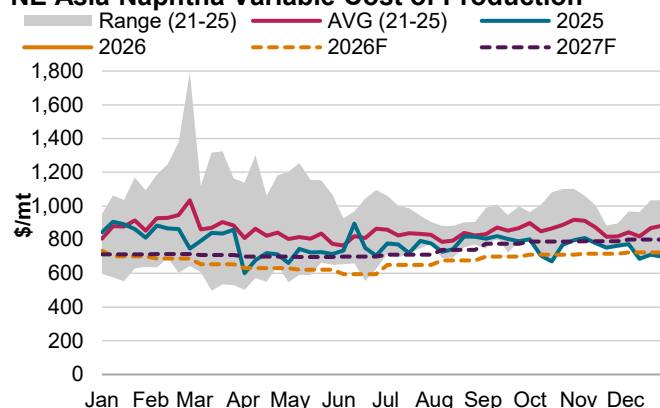
Prices & Margins of ethylene are still experiencing downward pressure, with the current spot price falling to \$730/mt CFR Northeast Asia as of mid-January. Further declines are expected as market conditions continue to deteriorate. Slow demand and excess supply point to little chance of lasting price increases before the second half of 2026. Meanwhile, forecasts for Asian steam cracker margins suggest there may be a brief rebound in prices with naphtha expected to drop to \$470/ton in the mid-2026, which could push ethylene variable margins near to \$90/mt. However, this improvement is likely to be temporary, since naphtha prices are expected to recover in the second half of 2026 and ethylene does not have strong demand to drive sustained price growth.

China Ethylene Market Outlook



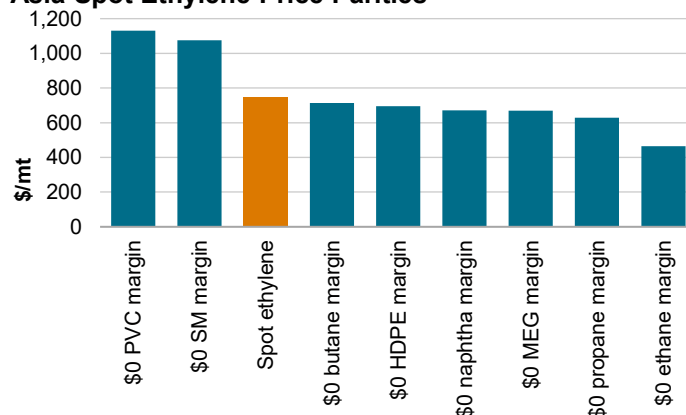
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NE Asia Naphtha Variable Cost of Production



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Data compiled Jan. 13, 2026
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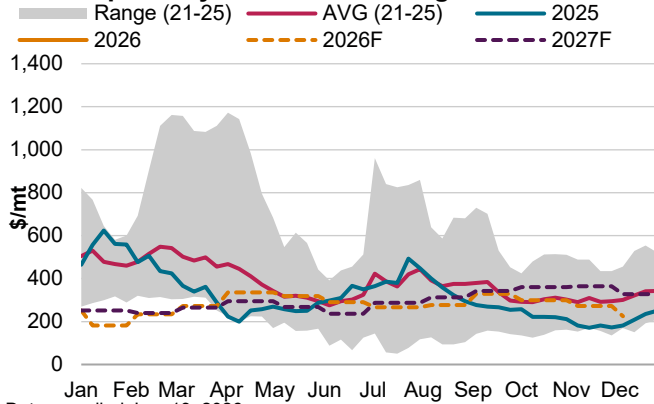
Asia Spot Ethylene Price Parities



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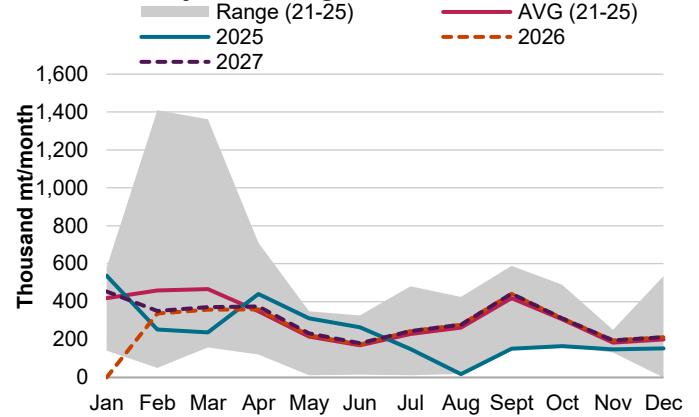
Appendix

USGC Spot Ethylene Variable Margins



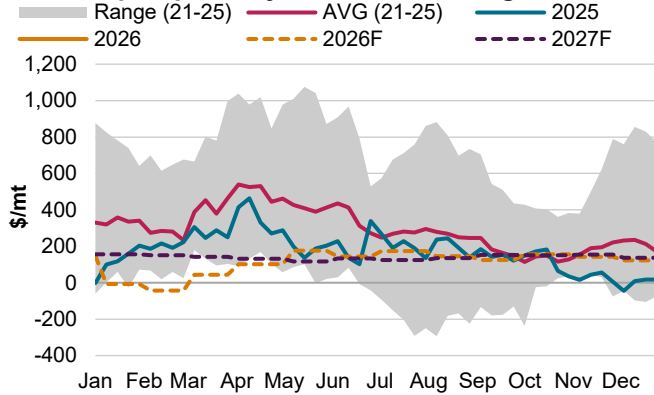
Data compiled Jan. 13, 2026
 Variable Margins = Spot Ethylene - (Feedstock - Coproducts + Variable Costs)
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Americas Ethylene Outages



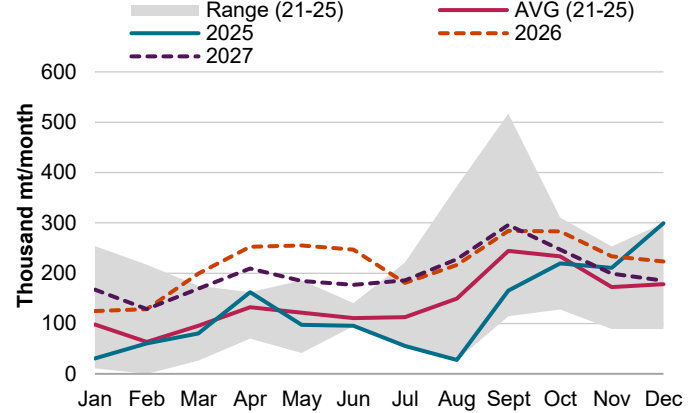
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NW Europe Spot Ethylene Variable Margins



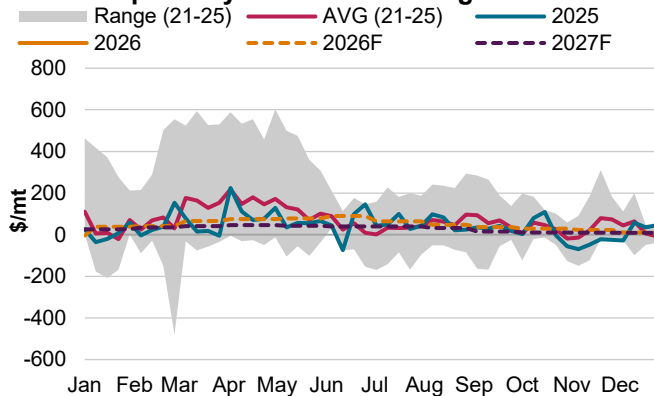
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European Ethylene Outages



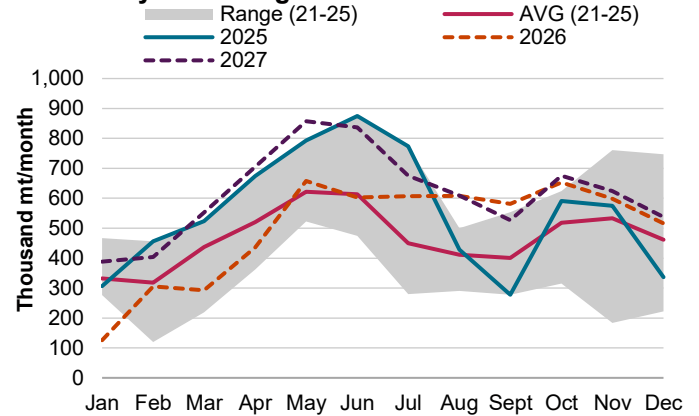
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NE Asia Spot Ethylene Variable Margins



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APAC Ethylene Outages



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Key recent and upcoming closures of ethylene capacities (2024-2028)

Company	Location	Technology	Ethylene capacity (thousand mt/year)	Shutdown date	Remarks
SABIC	Wilton, United Kingdom	Steam cracking	865	Q3 2020	Closure announced in H1 2025 but idled since Q3 2020
SABIC	Geleen, Netherlands	Steam cracking	575	Q2 2024	
ExxonMobil	Notre Dame de Gravenchon, France	Steam cracking	425	Q1 2025	
ExxonMobil	Mossmoran, United Kingdom	Steam cracking	830	Q1 2026	
Versalis	Brindisi, Italy	Steam cracking	490	Q2 2025	
Versalis	Priolo, Italy	Steam cracking	490	Q3 2025	
Dow	Bohlen, Germany	Steam cracking	565	Q4 2027	
TotalEnergies	Antwerp, Belgium	Steam cracking	550	Q1 2028	
Kazanorgsintez	Kazan, Russia	Steam cracking	60	Q1 2025	
Sinopec Beijing Yanshan	Beijing, China	Steam cracking	820	Q2 2025	
Sinopec Tianjin	Tianjin, China	Steam cracking	200	Q3 2024	
PetroChina Fushun Petrochemical Co	Fushun, China	Steam cracking	160	Q1 2025	Will be replaced
Sinopec Qilu Petrochemical Corp	Zibo, China	Steam cracking	450	Q1 2025	Will be replaced
Sinopec Qilu Petrochemical Corp	Zibo, China	Steam cracking	350	Q1 2025	Will be replaced
PetroChina Jilin Petrochemical Co	Jilin, China	Steam cracking	150	Q3 2025	Will be replaced
PetroChina Lanzhou Petrochemical Co	Lanzhou, China	Steam cracking	460	Q4 2026	Will be replaced
PetroChina Lanzhou Petrochemical Co	Lanzhou, China	Steam cracking	240	Q4 2026	Will be replaced
Sinopec Maoming Co	Maoming, China	Steam cracking	360	Q3 2027	Will be replaced
Maruzen	Chiba, Japan	Steam cracking	490	Q1 2027	
Mitsui / Idemitsu Kosan JV	Chiba, Japan	Steam cracking	374	Q1 2028	
ENEOS	Kawasaki, Japan	Steam cracking	460	Q1 2028	
Lotte Chemical	Daesan, South Korea	Steam cracking	1100	Q4 2026	
YEOCHUN NCC Co Ltd	Yeosu, South Korea	Steam cracking	475		<i>Indefinitely idled since Q3 2025</i>
Qenos	Botany, Australia	Steam cracking	265	Q1 2023	Closure announced in Q2 2024 but idled since Q1 2023
Qenos	Altona, Australia	Steam cracking	120	Q3 2024	
JG Summit Olefins Corporation	Batangas, Philippines	Steam cracking	480		<i>Indefinitely idled since Q1 2025</i>

Data compiled on Jan.15, 2026.

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