



Market Analytics: Profitability and Price Forecasts

For 50 years Nexant has provided accurate data, insightful analysis and dependable long term forecasts of the profitability, competitive position and supply/demand trends of the petrochemicals and polymers industry.

Profitability and Price Forecasts – A Low Low Scenario

Global energy markets have been quick to react to the evolving coronavirus situation. Crude oil prices have plummeted as oil producing countries have disagreed on production strategies to support pricing levels given the current global supply glut. In response to this, a new Low Low scenario offers pricing for principle feedstocks (petroleum and gas based), olefins, polyolefins and aromatics. The scenario assumes crude oil prices remain depressed at a steady \$20 per barrel in real terms through 2025.

Each key price setting region is included in the analysis:

- Asia Pacific: South East Asia and North East Asia (China)
- Middle East (where appropriate)
- Western Europe
- United States.

The Low Low Analysis will be provided in an Excel file, along with an accompanying presentation, and discussion time with the Consultant.

Analysis:

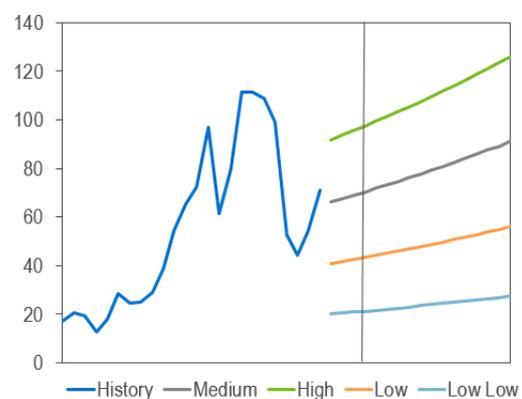
Despite the welcome rise in renewable power generation and alternative fuels, it remains the case that crude oil underpins most energy intensive sectors of the global economy. This importance gives a direct linkage between oil prices and the relative economic prospects for the various players in the industry. In the petrochemical sector oil prices play a key role supporting general prices levels through the influence of refinery sourced feedstock costs. This influence directly impacts on cost competitiveness and the relative economic fortunes of the industry.

March 9th 2020 saw the latest major collapse in oil price as oil producing countries in the informal OPEC+ organisation failed to agree a strategy to support pricing levels given the current global supply glut caused by ever increasing output from U.S. shale, and now exacerbated by the impact of coronavirus on industry supply chains. However, it is not yet clear whether this is a temporary collapse in crude oil prices, or if it represents a fundamental reset of the price levels.

Nexant has published a new Low Low (\$20) scenario from 2020 to 2025. The limited forecast period reflects that investment in many sources of new supply will not be sanctioned at the lower price point, requiring a higher price point to be reinstated as demand returns towards pre pandemic volumes.

The demand side impact of the Covid-19 pandemic is assumed to be relatively short term, with volume largely recovered by the end of 2021 and into 2022 as movement restrictions ease, with most disruptive measures lifted first. The pricing mechanisms remain broadly aligned with those applied in the 2019 Nexant scenarios. The pricing sets illustrate the impact of changing cost base, with changes in profitability largely confined near term to reduce the abrupt upturn in profitability proposed in base scenarios.

Crude Oil Price Scenarios
(Brent Crude Oil, FOB Sullom Voe, \$ per bbl)





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For related analysis, please refer to:

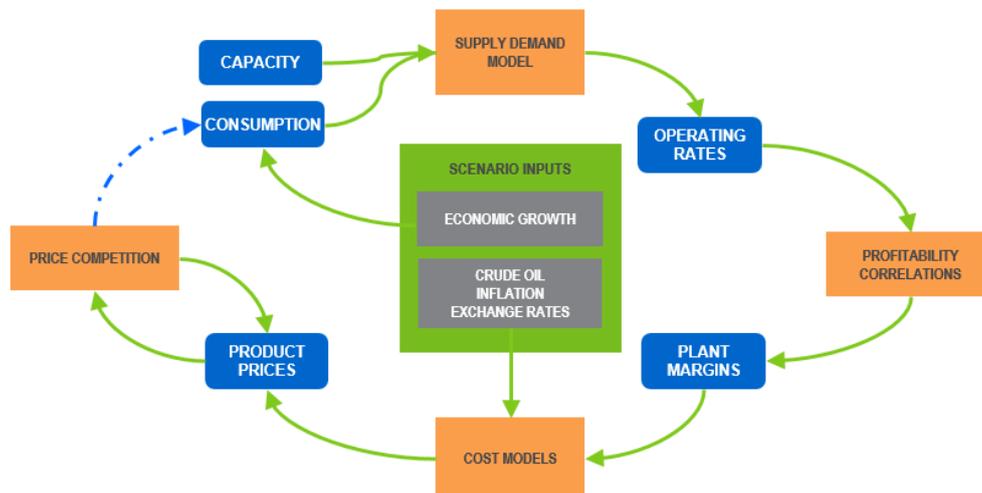
Nexant's Profitability Forecast Analysis provide long-term profitability and price projections to 2035 for the major price setting regions under three distinct crude oil scenarios.

Crude oil price trajectories (Brent FOB) applied for the 2019 Nexant scenarios are:

- Low oil scenario: set at US\$40 per barrel
- Medium oil scenario: set at US\$65 per barrel
- High oil scenario: set at US\$90 per barrel

Nexant's robust price forecasting methodology consolidates the many price influences in petrochemical markets. The methodology has been enhanced over 50 years of industry observations and associated price sets are used extensively to support investment decisions in capital intensive assets with a long production life cycle.

Nexant's long term market forecasts, and profitability and price forecasts are generated using our Petrochemical Simulator, a unique integrated model for simulating the global petrochemical industry



The Petrochemical Simulator models over sixty petrochemicals, polymers, C1 chemicals and fertilizers, with the output data published in an interactive Online Database.



Nexant Subscriptions and reports provide clients with comprehensive analytics, forecasts and insights for the chemicals, polymers, energy and cleantech industries. Using a combination of business and technical expertise, with deep and broad understanding of markets, technologies and economics, Nexant provides solutions that our clients have relied upon for over 50 years.

The **Markets and Profitability** program comprises of the well-known Petroleum and Petrochemical Economics (PPE), PolyOlefins Planning Service (POPS), Strategic Business Analysis (SBA) and World Gas Analytics (WGAS).

Markets and Profitability tracks over 60 feedstocks, petrochemicals, polymers, chemical intermediates and fertilizers on an ongoing basis and provides regularly updated reports covering all commercial aspects of these global industries. The accompanying database, provides global analysis and forecasts in two major inter- related areas: **Markets and Profitability**.

Nexant serves its clients from over 30 offices located throughout the Americas, Europe, the Middle East, Africa and Asia.

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