



CHEMSYSTEMS

SBA PROGRAM

Report Abstract

Methanol Strategic Business Analysis

December 2010

CHEMSYSTEMS **SBA PROGRAM**

Report Abstract

Methanol Strategic Business Analysis

December 2010



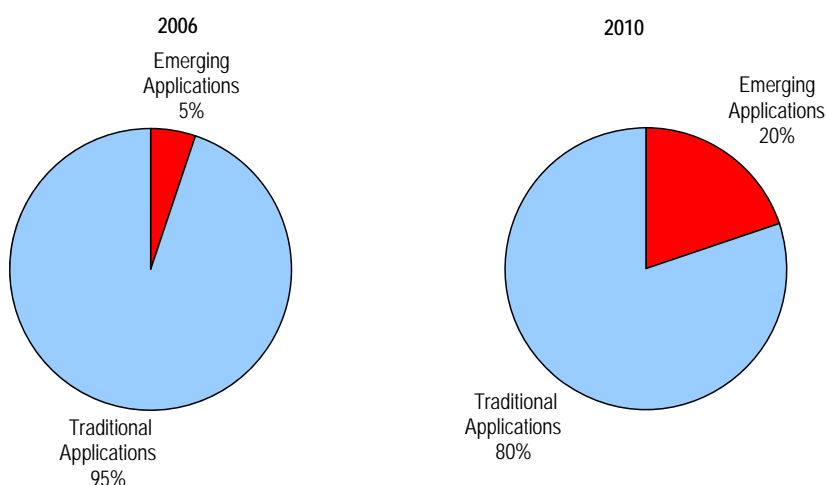
Griffin House, 1st Floor South, 161 Hammersmith Road, London W6 8BS, UK
Tel: +44 20 7950 1600 Fax: +44 20 7950 1550

Methanol Strategic Business Analysis

The methanol industry suffered dramatic changes during 2009 and 2010 - from sluggish demand growth, with some methanol applications even experiencing contracting demand, to recovery.

Demand for chemical uses in particular linked to the construction and automotive sector started to recover after a period of negative growth in North America and Western Europe. Methanol markets were tight despite several plants coming on stream in 2010. Emerging uses such as biodiesel, gasoline blending and DME contributed to global demand growth as well as methanol-to-olefins with two commercial scale olefins complexes starting operations in China. Higher oil prices, increasing light olefins demand and limited availability of ethylene and propylene produced via steam cracking and refining are favouring methanol-to-olefins (MTO) and methanol-to-propylene (MTP) technologies especially in “stranded” gas or coal regions. The coal-to-olefin complex in Shenua province, China has recently successfully produced on-spec olefins from its MTO unit and on-spec propylene has also been obtained from the MTP unit.

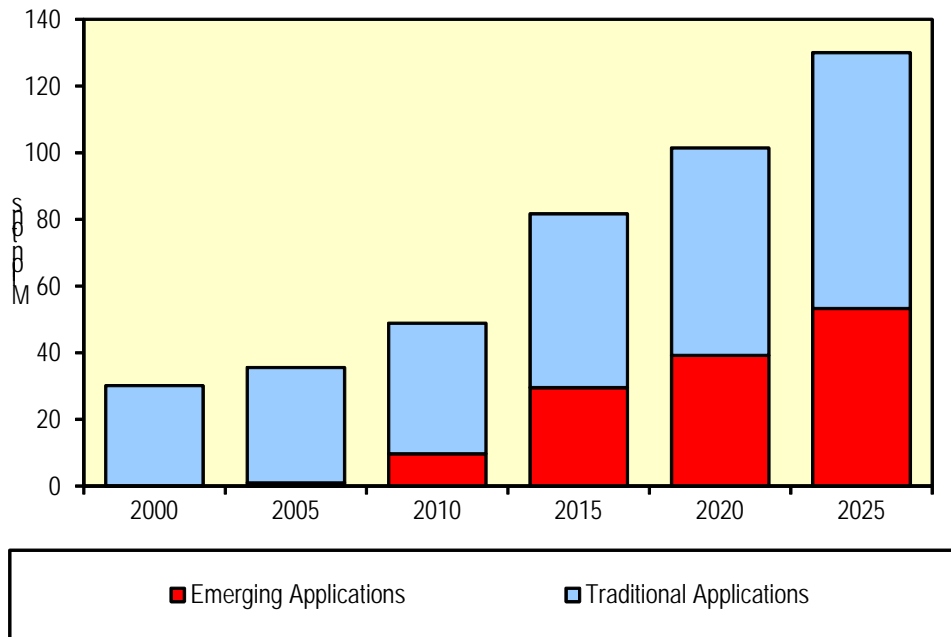
Figure 1.1 Methanol Consumption by Application



Persistent methanol imports in China led to an antidumping investigation implicating producers in Saudi Arabia, New Zealand, Malaysia and Indonesia. In October 2010, the Chinese government decided to impose antidumping duties on most of these countries (but excluding Saudi Arabia) with potential implications for global trade. These duties are being imposed for five years. However, producers in the Chinese methanol downstream industries such as formaldehyde, acetic acid and DME and methanol producers in these countries are expected to appeal the decision of the Chinese Ministry of Commerce. If long term import taxes in China are imposed, producers of the affected exporting regions will look to place their production in other markets having a significant effect on high cost producers (e.g. Russia and North America).

Asia-Pacific, in particular China, is expected to continue to be the driver for methanol demand. At the same time, recovery in major traditional end uses such as formaldehyde in North America and Western Europe is also expected to contribute significantly to growth.

Figure 1.2 Global Methanol Demand



Nexant's wealth of experience in the methanol sector, combined with our wider global presence in global gas, refined products, biofuel and petrochemical industries, provides us with a unique overview of all factors influencing the development of the methanol business worldwide. The Methanol SBA program distils the core issues and insights from our accumulated expertise to providing subscribers with a good understanding of not only the fundamental drivers but also likely future strategic direction of the methanol industry. We believe this is an invaluable source of insight and strategic business analysis for executives and managers at all levels of the business.

Figure 1.3 Nexant's Unique Blend of Capabilities

STRATEGY CONSULTING	GLOBAL GAS PRACTICE
<ul style="list-style-type: none"> ▪ Distilling key trends to understand businesses ▪ Portfolio appraisal and positioning ▪ Merger & acquisition support ▪ Customer segmentation ▪ Manufacturing Strategy ▪ Value chain positioning ▪ Growth Strategy ▪ Industry structure analyses 	<ul style="list-style-type: none"> ▪ Global gas availability and pricing ▪ Strong experience of alternative gas monetization options including LNG, GTL, ammonia and power ▪ National and regional energy planning ▪ Gas development projects ▪ Gas asset management ▪ Gas value chain analyses
CHEMICALS PRACTICE	DOWNSTREAM OIL AND BIOFUELS PRACTICE
<ul style="list-style-type: none"> ▪ Strong understanding of methanol and derivative markets, technology and economics ▪ Strong olefins experience and active MTO/MTP evaluation engagements ▪ Market dynamics research and analysis and forecasts ▪ Pricing and profitability scenarios ▪ Performance benchmarking ▪ Cost curve assessments ▪ Techno-economic feasibility studies 	<ul style="list-style-type: none"> ▪ Petroleum value chain analysis including ports & terminals, refining, storage & distribution, terminals & depots, fuel wholesaling and retailing ▪ Biofuel market and technology development ▪ Good understanding of fuel markets and the potential for methanol use as a gasoline blendstock, bio-diesel feedstock and DME feedstock

This analysis is presented in ChemSystems' Strategic Methanol Business Analysis (SBA) program subscription which provides:

- Strategic trends and challenges facing the industry such as feedstock issues, logistics, emerging demand drivers, methanol to olefins competitiveness and pricing mechanisms.
- Business fundamentals comprising market dynamics, profitability and pricing, a technology review including coal gasification and new developments, and delivered cost competitiveness.

For details on how to access our detailed Strategic Business Analysis on Methanol please contact chemsystems@nexant.com

See Nexant's new [Ammonia-Urea SBA Program](#) for similar coverage for this sector.



Nexant, Inc.

San Francisco
London
Tokyo
Bangkok
New York
Washington
Houston
Phoenix
Madison
Boulder
Dusseldorf
Beijing
Shanghai
Paris

www.chemsystems.com