



# **CHEMSYSTEMS**

**SBA PROGRAM**

Report Abstract

Methanol Strategic Business Analysis

February 2013

# CHEMSYSTEMS SBA PROGRAM

## Report Abstract

### Methanol Strategic Business Analysis

February 2013



King's Arm Yard, London EC2R 7AF  
Tel: +44 20 7950 1600 Fax: +44 20 7950 1550

Nexant, Inc. ([www.nexant.com](http://www.nexant.com)) is a leading management consultancy to the global energy, chemical, and related industries. For over 38 years, ChemSystems has helped clients increase business value through assistance in all aspects of business strategy, including business intelligence, project feasibility and implementation, operational improvement, portfolio planning, and growth through M&A activities. Nexant has its main offices in San Francisco (California), White Plains (New York), and London (UK), and satellite offices worldwide.

Nexant's Methanol SBA program details 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. For details on how to access our detailed Strategic Business Analysis on Methanol please contact [chemsystems@nexant.com](mailto:chemsystems@nexant.com).

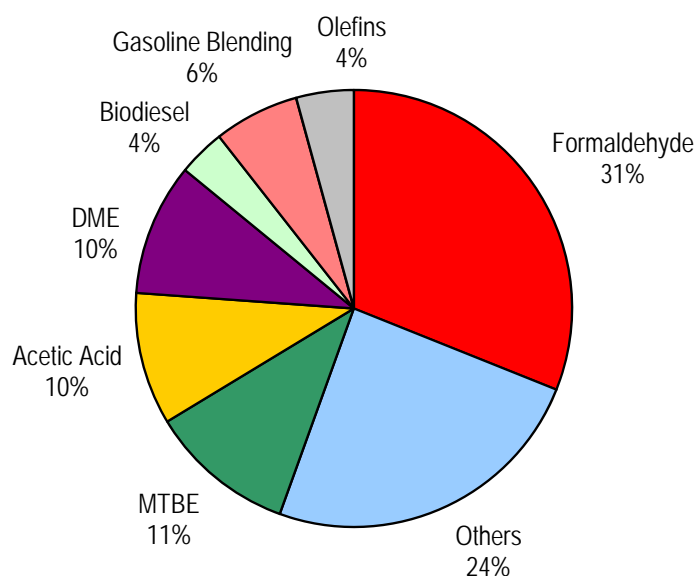
Copyright © by Nexant Inc. 2013. All rights reserved.

## Methanol Strategic Business Analysis

Despite sluggish growth in developed economies, global methanol demand in 2011 grew by 11 percent driven by Asia. In 2011, global methanol consumption reached an estimated 55 million tons while, global GDP growth rates recovered at a lower rates compared to the previous year.

In 2012, global methanol demand is expected to continue its robust growth, which is significantly above GDP growth. Global demand is estimated to surpass 60 million tons, of which olefins accounted for less than six million tons. Traditional demand such as formaldehyde and acetic acid is expected to be sluggish with strong growths observed in emerging methanol end-uses.

Figure 1.1 Methanol Consumption by Application, 2011



XLS 00289 SBA Methanol Report 2012-13 Sec4

An increase in gasoline blending of methanol is anticipated and Nexant expects the long term methanol price to be influenced by its gasoline blend value and hence energy values. The next cyclical peak in global prices is expected in 2016 mainly as a result of demand outstripping supply.

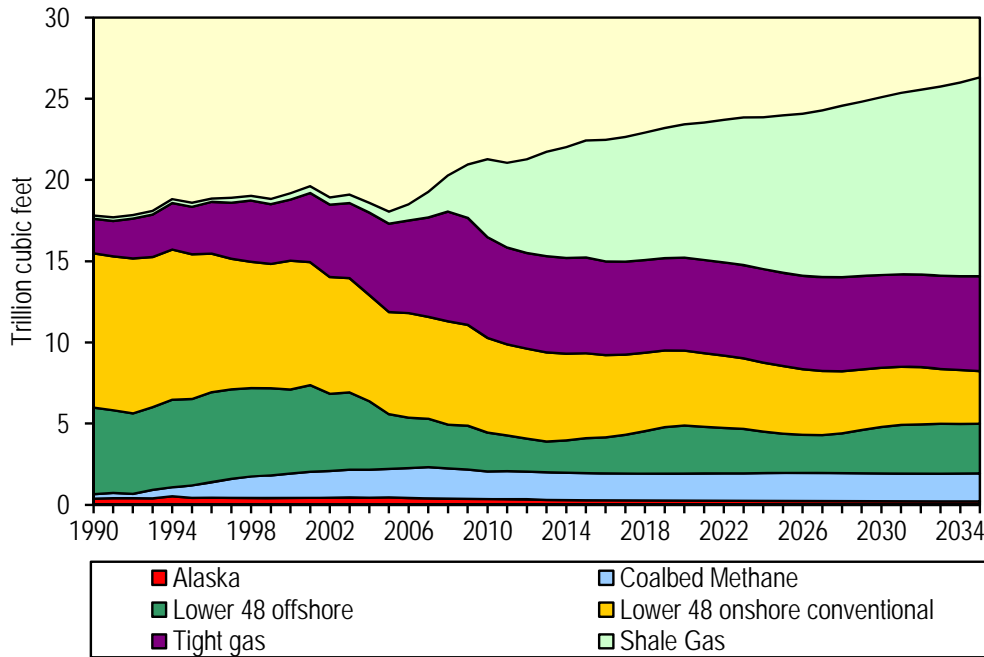
Since 2011 a resurgence of methanol capacity has been taking place in North America. Lower natural gas prices allowed start-ups of mothballed plants in the region:

- Methanex restarted an idled plant in Medicine Hat, Canada during the second quarter of 2011 and is planning to relocate a Chilean plant to Geismar, LA which is expected to start operations in 2014. The company is mulling a second plant relocation next to the first one
- Egypt's Orascom recently acquired a mothballed facility at Beaumont, Texas which was revamped, starting operations in 2012
- LyondellBasell is considering restarting its methanol facility at Channelview, TX

- Celanese is considering building a methanol plant to feed its downstream facilities

With U.S. gas prices in 2012 under \$3.00 per mmBtu and U.S. plants competitiveness improving, several questions arise: how low will prices go and for how long? Answering these questions is crucial to determine whether the development of new methanol projects is feasible.

Figure 1.2 Gas Production in the U.S.  
(Source: EIA)



XLS 00289 SBA Methanol Report 2012-13 Sec3

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

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

- Strategic trends and challenges facing the industry such as trends of the methanol industry in connection with the prospects of MTG, new trends in methanol pricing, resurgence of methanol capacity in North America and opportunities of natural gas-based olefins projects.
- Business fundamentals comprising market dynamics, profitability and pricing, a technology review including coal gasification and new developments, and delivered cost competitiveness analysis.

If you have any comments on the analysis, please contact Eduard Lindner at: [elindner@nexant.com](mailto:elindner@nexant.com).

For details on how to access our detailed Strategic Business Analysis on Methanol please contact [chemsystems@nexant.com](mailto: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](http://www.chemsystems.com)