Driven By China, Global Methanol Demand Rises 23 Percent in Two Years, Unprecedented Demand Growth Expected for 2012 to 2022, Says New IHS Study

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Methanol key option for monetizing gas or coal; resulting in more U.S. projects and capacity tied to shale gas, as well as coal projects in China

According to a new IHS Chemical (NYSE: IHS) global market study, driven by Chinese demand growth, global methanol demand increased 23 percent during the two-year period of 2010 to 2012, and annual demand for the product is expected to increase by more than eight percent from 61 million metric tons MMT in 2012, to an unprecedented level of 137 MMT in 2022. These rapid demand increases are significant, particularly when the numbers are compared to the economic downturn of 2008 to 2009, when annual global methanol demand slowed to just four percent and two percent, respectively.

This demand growth is being led by growth in China across all derivatives, as well as fuels applications in China and the rest of the world, and as a result, says IHS, the methanol industry is anticipated to advance rapidly to a more balanced position in the 2015 to 2016 timeframe. Produced by IHS, the leading global source of information and analytics, the IHS Chemical 2013 World Methanol Analysis covers historical developments and future projections for supply, demand, capacity and trade in the global methanol markets for 2012 to 2022.

“Methanol is a key option for monetizing gas or coal,” said Mike Nash, global director of Syngas Chemicals at IHS. “An abundant supply of low-cost North American shale gas resources is driving methanol capacity additions in the U.S. The shale gas revolution is a major game-changer; mothballed methanol units have started back up — and one Methanex unit has been relocated from Chile to Louisiana with considerations of moving another unit. Coal supplies in China are also driving projects there, as well, particularly as it relates to using cheap methanol supplies derived from coal to produce olefins.”

Geographically, China remains the growth center for methanol demand, with an average annual growth of slightly more than 12 percent, while the rest of the world is growing at just below three percent. China methanol consumption will triple from 31 million metric tons (MMT) in 2012 to 97 MMT in 2022.

Traditional uses for methanol include derivatives such as formaldehyde, MTBE, a fuel octane enhancer; acetic acid and methyl methacrylate, a plastic additive. With China at the epicenter of global growth, fuels applications are one of the primary demand drivers.

Methanol demand in the gasoline pool is expected to increase from nearly five MMT in 2012 to just over 11 MMT in 2022, representing a penetration of nearly 12 percent. At blend ratios of 15 percent and slightly increased gasoline consumption trends, methanol consumption could rise to 15 MMT.

“Said Nash, “Other possible uses for methanol include being used in gasoline blending, which is a highly political issue, and currently only happening in China. I'm not sure if it can happen in the U.S. due to the powerful ethanol lobby that exists, but if it did occur, the impact on demand would be significant.”
Added Nash: “Another potential use for methanol is biodiesel production involving methanol as a feedstock, which is also a highly political issue, but we anticipate the growth of this use stalling, although there are some mandates for its use, such as in the U.S., some Southeast Asia countries and Turkey. In the European Union and elsewhere, its use seems to have come unstuck, particularly since the usage of crops for biodiesel are seen to compete directly with food production, and non-food crops such as algae are either in their infancy or don’t produce enough yields to be viable.”

Other possible future uses for methanol noted in the IHS report could include methanol as dimethyl ether (DME) on ships as bunker fuel in certain close-to-shore zones in Europe, when new low-sulphur rules go into effect, and insufficient supplies of low-sulphur marine diesel/fuel oil to satisfy demand. A trial is being conducted now to test feasibility.

China has become by far the largest methanol producing country in the world, representing 54 percent of world capacity and 43 percent (26.5 MMT) of world methanol production in 2012. The global methanol industry is now reaching the end of a significant wave of capacity expansions. Since 2007, capacity has been added at the rate of 14.3 percent per year, in an industry where demand had been growing at around 8.6 percent per year.

However, Chinese capacity utilization is only around 50 percent, since China adjusts operating rates accordingly to “balance” world supply and demand. China is nearing the end of a major capacity expansion wave, with only an additional 7.5 MMT of new capacity for the merchant market expected to come on stream through 2022. This leaves well over 40 MMT of new China methanol capacity integrated to MTO/MTP coming online during the forecast period.

The vast majority has been added in China driven by demand growth, particularly to supply emerging applications. Large methanol-to-olefins (MTO)/methanol-to-propylene (MTP) and or DME-integrated complexes have been and will continue to be built, consuming massive quantities of methanol dedicated to these downstream derivatives.

According to the IHS report, even with China’s massive buildup of methanol capacity, demand growth in China is projected to be so rapid (more than 12 percent per year) that, by 2022, if imports were unavailable, the domestic capacity would need to operate at almost 100 percent utilization to meet domestic demand. By 2022, without additional Chinese capacity, IHS estimates that imports will not only be an economic-driven opportunistic option to secure low-cost methanol, it will also be a requirement to meet local demand.

Northeast Asia, Europe and North America were the world’s largest importing regions of methanol in the world in 2012, representing more than 80 percent of total world import figures. Going forward, Europe’s import levels will increase only moderately, whereas Northeast Asia imports are forecast to triple during the period of 2012 to 2022. North America, on the other hand, becomes essentially balanced by 2022, as large new regional capacity is built to take advantage of plentiful, cheap shale gas and substantial regional demand.

Conversely, the Middle East and South America are and remain the two largest exporting regions for the methanol industry, representing approximately 70 percent of the world’s export supply.

In addition to the IHS Chemical 2013 Methanol World Analysis, IHS offers world analyses for other key chemicals, plastics and fiber intermediates on a continual basis. The reports provide comprehensive studies of long-term market trends, and most are produced on an annual basis with a five-year historical market review and a 10-year supply/demand and price forecast. Other world analyses include: benzene, butadiene; butylene; chlor-alkali, cumene, phenol and acetone; propylene; ethylene, ethylene oxide and ethylene glycol; acetyls; nylon feedstocks and fibers; petrochemical feedstocks; polycarbonate and ABS (derived from acrylonitrile, butadiene and styrene); polyethylene, polyolefins; polystyrene/expandable polystyrene (EPS); soda ash; styrene; terephthalates and polyester; toluene and mixed xylenes; and vinyls.

Nash and other IHS Chemical experts and executive leaders from across the global petrochemical industry will be speaking at the upcoming World Petrochemical Conference, March 19 - 21, 2013, in Houston. Registration for the conference is $1,800 per registrant. Additional fees apply for workshop participation. To view the current agenda for the 2013 IHS World Petrochemical Conference, and register for the event or the training workshops, please visit www.ihsglobalevents.com/WPC2013

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