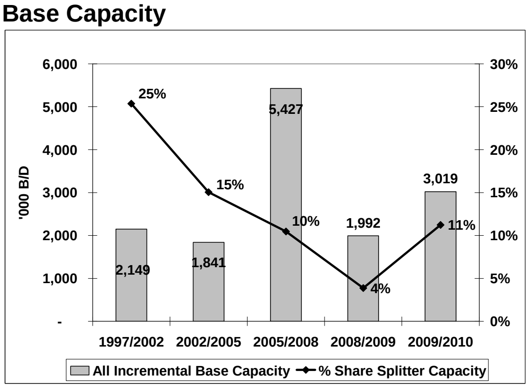
New Study

CONDENSATE EAST OF SUEZ 2011

Complete guide to optimizing value in condensate production.
Review and analysis of condensate's impacts on gasoline, petrochemical feedstock, and diesel balances – Is condensate the answer to light-end products squeeze?
Analysis of condensate balances, including production, demand, sector utilization, as well as base petrochemical capacity, current and future.
This report traces the evolution of condensate trade as a niche commercial activity to becoming one of the basic supports for Asia Pacific and the Mideast Gulf's growing naphtha and gasoline needs. It is a comprehensive study detailing the fundamentals and drivers of condensate trade, pricing and markets in the East of Suez region.

Condensate East of Suez 2011 focuses on the growing inter-relationship of gasoline, road diesel and petrochemicals, as impacted by sharply rising condensate output and processing. Condensate splitters will have an increasing role in supplying incremental gasoline supply to meet spiraling Mideast Gulf demand.

East of Suez Splitter Share of Incremental Base Capacity



Direct-feed use of condensate and LPG, together with condensate-derived naphtha will make up a rising proportion of Asia's petrochemical feedstock needs, as petrochemical producers have redoubled efforts to diversify feedstock options. In particular, China has shown renewed interest in splitting on the realization that condensate use could meet expanded petrochemical feedstock needs.

Production

An emerging awareness of condensate's value has producers separating and segregating output from gas production. In some markets, companies are building Natural Gas Liquids (NGL) stripping units and petrochemical plants near emerging gas production centers, simply to take advantage of future potential segregated condensate supply (China). In other markets, promoters are moving to produce solely NGLs and re-inject gas for later use in LNG or piped gas projects (UAE) and finally, in many markets where condensate was stripped solely to fill out the volume of crude pools through spiking, output is now segregated and sold separately (Thailand & Indonesia). LNG planners have noted that NGL recovery sharply boosts the rate of return on capitals and have integrated condensate output into their project planning.

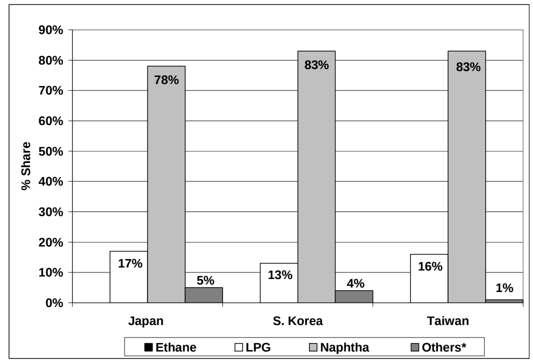
Marketing and Trade

The largest single factor in medium-term condensate sales will be how Qatar markets its full condensate output in addition to its LPG sales. Quality differentials have begun to characterize condensate sales, as lower-quality Iranian grades have been severely discounted. New production grades will be emerging in Iraq, Myanmar, Indonesia, China, and Australia by 2016. Long-haul arbitrage for condensate sales has grown for West of Suez producers of West and North African grades, while Russian condensate exports, from Western Siberia, appeared using the new Arctic shipping route. Canadian syncrude producers have sourced long-haul condensate barrels from distant markets to export bitumen-based production to Asia-Pacific buyers.

Condensate Processing & Utilization

By 2016, a wave of new condensate processing capacity will be completed in the Mideast Gulf (Saudi Arabia, Iran, Qatar, and the UAE), and NE Asia will be increasing its splitting capacity by over 130% by that time, with China making up the lion's share.

Feedstock Flexibility in Ethylene Cracking



Pricing

A proliferation of traded grades has helped to broaden the number and range of pricing systems used to market condensate. Sellers have shown more flexibility in using pricing systems, adjusting markers to buyer needs. Yet Asia-Pacific petrochemical buyers continue to favor naphtha-based sales; refiners usually request crude linkage. Flexibility has become a trend.

Condensate has gone from an oddity of the hydrocarbon world to a small, but essential piece of the products jigsaw puzzle in the Mideast Gulf and Asia Pacific. We see condensate trade, like LNG marketing, becoming not only a global marketing activity, but part of an integrated global supply/demand balance.
