CHLOR-ALKALI AMERICAS

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Chemsult Week

GLOBAL OVERVIEW

***Americas**: Availability for caustic soda remains low, but a cargo that has arrived on the East Coast is helping buyers to secure sufficient quantities. As a result, it appears that there are no serious supply issues on the East Coast, while there may be problems on the West Coast soon due to low inventory. The chlorine market is largely stable but there are indications that demand is starting to improve and producers are hoping for a higher number of enquiries.*

***Europe**: A major French producer has followed with a price increase announcement and, as most suppliers, is looking for a €50/dmt rise. While negotiations have just started, sellers are optimistic in achieving a rise in Q2 pricing. Supply remains on the tighter side due to a combination of low inventory, good demand and several outages scheduled.*

***Asia**: There has been some movement on spot pricing with levels now in the high $300s/dmt fob. Demand from the US and Latin America remains strong and, as a result, the upward pressure on pricing for parcels to the West Coast is still present. Spot availability is limited and no significant improvement in the near future is expected due to a number of planned maintenance outages at North East Asian producers.*

PRICES

US Caustic Soda Spot		
Domestic barge	$530-540/dst fob	◄►
Export	$550-560/dmt fob	◄►
US Chlorine		
Spot	$150-190/st del	◄►
Contract March	$175-225/st del	◄►
US Caustic Soda Contract - March		
Domestic barge	$490-500/dst fob	◄►
Latin American Caustic Soda		
Brazil, Imports	$550-570/dmt cfr	◄►
Colombia, Imports	$560-570/dmt cfr	◄►
Mexico, Imports	$530-540/dmt cfr	▲

Note – Arrows indicate change from previous week

MARKET

Caustic soda buyers along the Eastern Seaboard are breathing a little easier than they were last week. Reports that an Asian cargo off the East Coast might have been off-spec brought out a flurry of spot buyers last week, testing the waters to see what was available, just in case. However, the cargo is moving up the coast, dropping 3,000-4,000 dmt at various tanks in Savannah, Charleston, Wilmington and points north. Any impurities are being filtered out aboard the vessel. So any current supply crunch on the East Coast has been averted for the time being. However, there are other possible supply crunches currently anticipated, both in the Mid West and on the West Coast.

Sources in the region report that the Mid West market is currently low on caustic soda inventories. This situation could be exacerbated soon as flood waters continue to move down the Mississippi River towards the US Gulf. The river is not expected to crest at New Orleans until some time in April, at which point barge traffic to points up the river could be slowed and/or disrupted. To date at least sixteen people have been killed and two people have gone missing in floods in the Mid-West after heavy rains caused rivers to overflow. The current surge does not even take into account potential flooding from melting winter snow pack on the Ohio and Illinois Rivers.

Out on the West Coast, buyers indicate they are coping with current inventories, but supplies remain on the tighter side, probably tighter than in any other US market. Asian suppliers, particularly in North East Asia, have a number of turnarounds scheduled for Q2, and are seeking prices around $400/dmt fob to the West Coast as they anticipate lower inventories during Q2 for their own domestic market. Canexus is currently running at full rates, but most of its caustic soda production remains in Canada. EquaChlor is believed to be operating at reduced rates. There is a limited amount of contract caustic soda that is railed into the West Coast from the US Gulf and from Wichita KS, but producers prefer to keep the product closer to the plant(s) to avoid high freights. Consequently, it seems that West Coast resellers have little choice but to continue to pull from the Asian market.

OxyChem is expected to complete its conversion at Taft LA by the end of March, and to begin making **potassium hydroxide** (KOH) the first week in April. It will shutter its Muscle Shoals AL facility by the first of June, or possibly earlier, depending upon how quickly the KOH conversion is accomplished. Now that Olin has announced it will shut down its plant at Dalhousie in Canada this summer, there will shortly be less than a handful of mercury cell plants in North America. These include the plants at Port Edwards WI; Ashtabula OH; Augusta GA; Charleston TN; Natrium WV; St. Gabriel LA and Muscle Shoals AL. As noted, Muscle Shoals will be shut down shortly. The Port Edwards plant should be converted by the end of June 2010. The St. Gabriel plant is also expected to be converted in 2010. PPG has indicated it will shut down its mercury grade production when its current mercury discharge permit expires, some time in 2011-2012. No plans to convert mercury cell production at Charleston, Augusta, or Ashtabula have been announced to date.

Olin has lifted the *force majeure* status after announcing in February that it would only be able to supply its caustic soda customers with about 70 percent of their orders for an undetermined time because of unforeseen events. The company blamed plant shutdowns due to weather related, technical and equipment issues at several of the company's production facilities. Olin says it has remedied those issues, but that previous unplanned production interruptions and upcoming planned outages for maintenance are expected to continue to limit the company's production capacity until further notice. An allocation remains in effect.

The **chlorine** market is largely unchanged, but producers indicate they are beginning to see the light at the end of this particular tunnel, especially on the West Coast. Bleach is beginning to move in southern California, so chlorine demand overall should start to improve. Bleach demand has yet to take off in the rest of the US, but it is probably only a matter of a week or two.

Prices for **sulfuric acid**, which chlor-alkali producers use to remove the water from gaseous chlorine prior to liquefaction, have skyrocketed in recent months, primarily due to the lack of elemental sulfur in the US. A significant increase on 1 April in the price for elemental sulfur is expected to drive a $60/dst price increase for sulfuric acid. After the first of the month, the average price for sulfuric acid east of the Rockies will be $300-310/st fob, and some $40-50/st further west.

The spot export market for caustic soda ex-USG to Latin America and to other destinations is subdued, as are imports to the East Coast from Europe. The latest asking price from European suppliers is $540-550/dmt cfr, and there is limited availability even at that price.

In **Brazil**, local chlor-alkali producers are facing difficulties implementing the announced price increase due to imported material at low prices. Local sellers have reduced their domestic prices to compete with import prices. Domestic prices are currently in the range of $600-660/dmt cash, ex-taxes, ex-terminal port of Santos. Levels for the distribution sector are about $630-680/dmt cash, ex-taxes, ex-terminal port of Santos. It is probable that there will not be any price increase in April. Offers from the international market are still in the range of $550-570/dmt cfr port of Santos. Domestic demand remains strong. The third largest chlor-alkali producer will import between 4,000-5,000 dmt at the aforementioned price range from the US market. Material will arrive at the Santos port in April. A major chlor-alkali producer will shut down its plant, located in Maceio, for general maintenance in May 2008. The general maintenance will take about 10 days.

In **Argentina**, domestic spot prices are in the range of $600-640/dmt fd Buenos Aires depending on customer size. Local chlor-alkali producers and players plan to increase their domestic prices in April. Preliminary information indicates that levels will increase by $30-50/dmt effective 1 April 2008. There have been no intra-company transfers. The major local chlor-alkali producer continues building up inventories to face potential energy cuts in winter.

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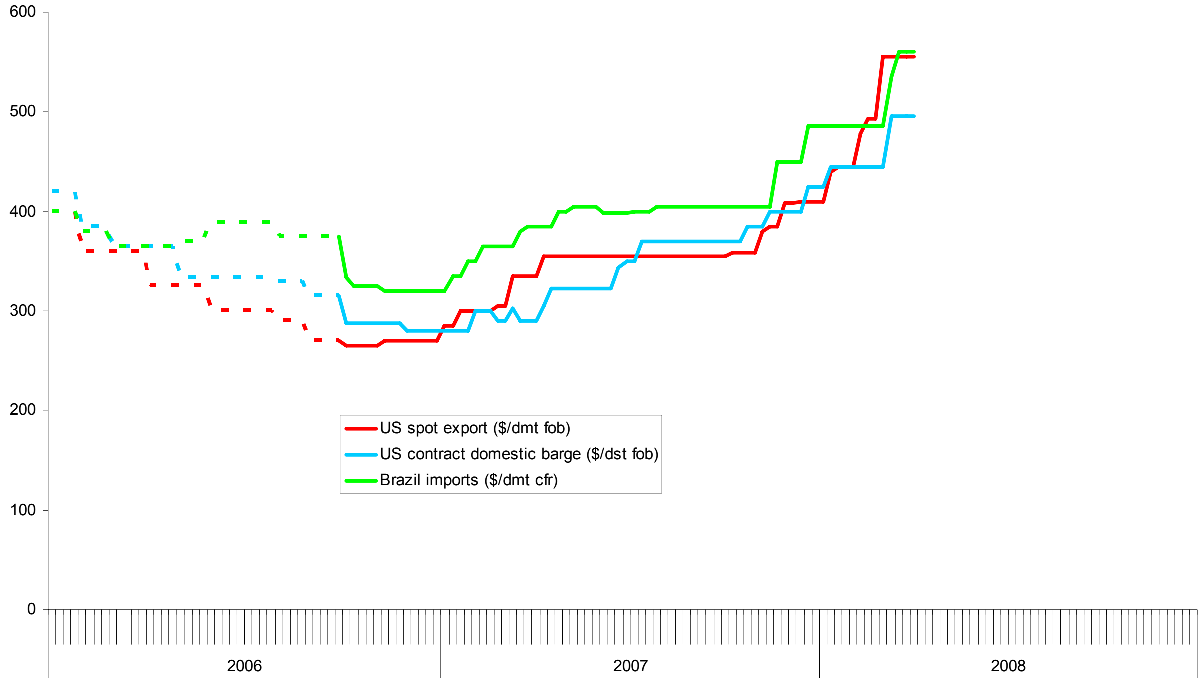
In **Colombia**, levels are in the range of $810-865/dmt ex-Colombian ports. No major news has emerged from the Colombian caustic soda market. The significant dependence on imports may jeopardize the caustic soda supply/demand balance in the coming months. However, the level of stocks is currently adequate to supply local demand.

In **Venezuela,** non-controlled prices are in the range of $840-920/dmt fob El-Tablazo. Prices of imported material ex-Borburata port are currently at $870-900/dmt fd. The price range depends on customer size. Levels of imported caustic soda remain the highest in Latin America. On the other hand, controlled prices remain stable in the range of $180-190/dmt fob El Tablazo, significantly below domestic and international market prices.

North and Latin American Caustic Soda Prices, 2006-2008



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European Hydrogen Chloride and Hydrochloric Acid 2008-2010

Hydrogen Chloride (HCl) is a critical product for the chlor-alkali industry, but understanding this highly complex market is challenging: because of the variety of HCl production sources as well as diverse end uses, including its central role in chlorine recycling. This recycling is often critical to chlor-alkali plants across the region and has implications for other key products, especially vinyls and isocyanates.

With growing limitations on the transportation of chlorine across the world, managing and understanding HCl will remain a key issue in the chlor-vinyls sector.

Harriman Chemsult will soon publish an updated study of the European HCl industry, **European Hydrogen Chloride 2008-2010**. *The new study answers critical questions facing the industry and offers highly detailed analysis of the sector* ***and forecasts*** *for the next few years.* This is the perfect reference volume for executives needing to understand the intra-regional complexities of the European HCl market. All aspects of the industry are covered, including capacity, production, trade, consumption, end use breakdowns, and major issues. This report is more than 200 pages in length, containing over 175 tables and 75 maps and charts, and comprises two volumes:

This report is based on exclusive data gathered by the experts at Harriman Chemsult and provides the most in-depth research available on supply, end-user trends and activities:

Volume I
Comprehensive overview of European HCl, including summaries of capacity and production by route, trade, demand by end use, and prices.

- Descriptions of major production, consuming and recycling processes.
- Appendices, including capacity listings and HCl production, consumption and balance by country.

Volume II

- Full details country-by-country market analysis, including plant capacity and ownership details, comprehensive data on production by route and demand by end use, including the merchant market, national supply-demand balances, trade statistics and major flows, and prices.
- This volume comprises 21 national sections: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and UK.

Data coverage is from 2002-2010.

The report is available from 31 March 2008 in joint hard copy-CD format. The print edition is supplied together with a CD containing a PDF version of the report, plus data in a comprehensive Excel spreadsheet to facilitate subscribers' own analyses.

The report is priced at **£3970**. We are offering a **£250 early bird discount** on any purchases made before 31 March 2008.

For any enquiries about this report, including a Table of Contents and sample section, or to order your copy, please contact:

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