



THE METHANOL REPORT

July 28, 2008

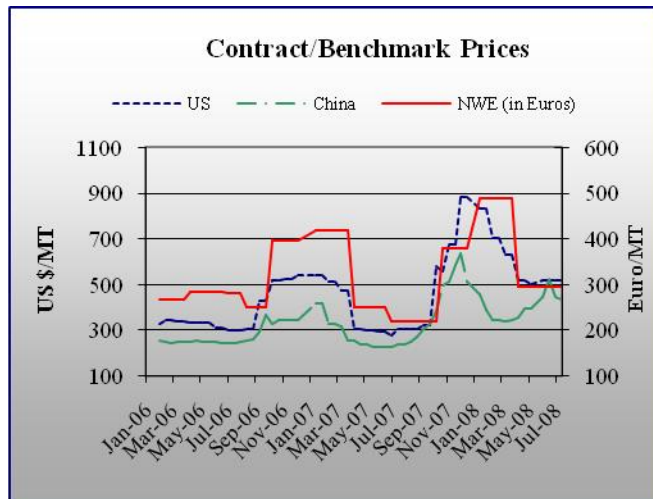
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- **US** – Influential suppliers Methanex and Southern Chemical roll contract benchmarks into August.
- **Terminals** – Some resellers in the USG seek to raise offers next month, while other regions remain static.
- **Canada** – Regional benchmarks across Canada will remain steady in August amid slow seasonal conditions.
- **Far East** – Spot values across Asia remain relatively steady as Chinese demand appears slightly slower.
- **Derivatives** – Economic woes continue to stall recovery in many downstream markets.

U.S. Market Summary

With spot prices still relatively well supported by regional downtime despite some recent easing, influential suppliers in the Americas once again issued notice of rollovers for the month of August, although some observers suggest further erosion of spot values could undermine contract benchmarks in the coming months. On the other hand increased demand in Asia is still acting to balance global supply as new production is introduced in the region and in the Middle East. Last week Southern Chemical confirmed it will hold its USG benchmark at \$1.55/gal next month after doing the same this month. In June it raised the price 3 cts/gal. On Friday customers claimed Methanex will also carry forward its \$1.58/gal benchmark in August as it did this month. In June the supplier raised its posted price 8 cts/gal higher.



Availability in the Americas continues to improve following a spate of downtime that included an Ampco outage in West Africa that sparked a round of spot buying in the USG. Ampco later confirmed to customers that its plant is undergoing an unscheduled catalyst change and will be down until the end of the month, but observers noted that the company quickly covered its shortfall with spot purchases although the run-up it caused quickly dissipated in the following days. Elsewhere in the world production remains relatively healthy with only a few notable exceptions and new production in Saudi Arabia in the form of the new 1.65 mln mt/yr Ar Razi V methanol plant continues to offset losses in China.

U.S. Large Volume Spot Market

Large volume activity last week was somewhat muted. After surging above \$1.50/gal FOB USG as Ampco sought volume to cover for its unplanned outage and other potential buyers followed with bids that resulted in at least one sale as high as \$1.53/gal over a week ago, but spot barge values last week ebbed progressively lower. By midweek sparse activity prompted some to assess August deliveries in the \$1.45/gal range FOB USG, but there appeared little interest among buyers. Later some traders noted offers dipping to new lows near \$1.41/gal and bids hovering in a tight range several cts/gal below that, although some suggested at least one deal was reported done at the \$1.41/gal level. At the same time a few suggested September was concluded at \$1.38/gal sometime midweek. By Friday a few

observers claimed best bids and offers for August remained near \$1.40/gal while September could be had for \$1.35/gal.

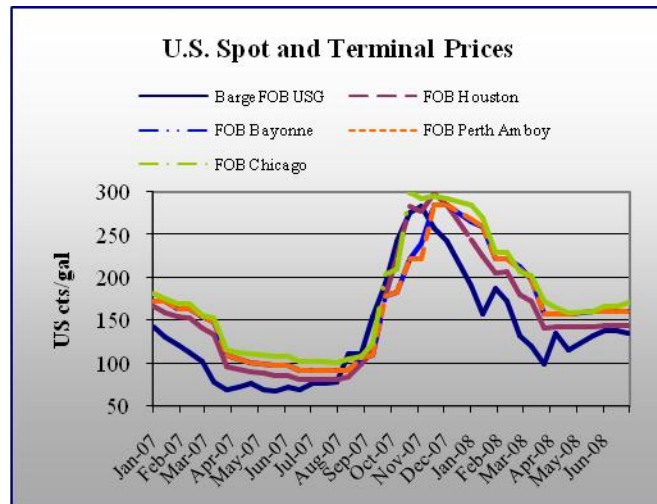
U.S. Terminal Markets

Truck and railcar prices in most regions will remain steady in August according to most resellers that note slow downstream conditions continue to mitigate the effect of sporadic supply shortfalls in some parts of the country. Major marketers confirmed holding list prices steady for a second month in August after moving up in June. SCCD is not expected to change its USG distribution reference price of \$1.60/gal after raising it 3 cts/gal in June and Ashland will likely hold its prices unchanged after moving up 8 cts/gal two months ago in line with the Methanex increase.

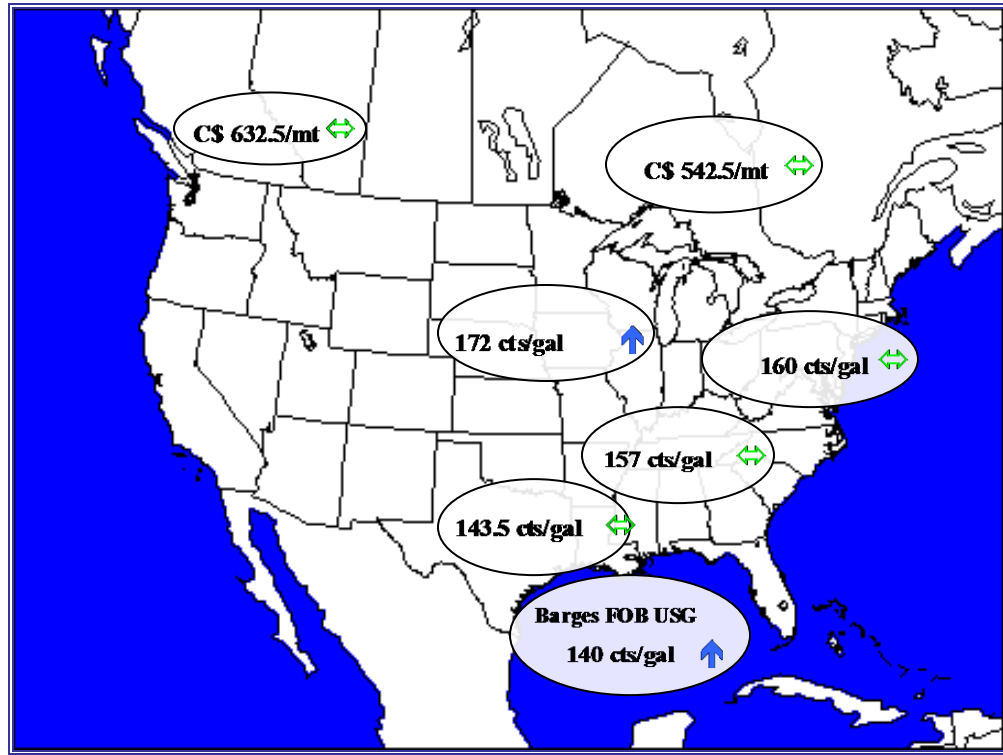
Many suppliers in the **USG** remain uncertain as to the ultimate disposition of pricing next month given some that rely on spot barges will be forced to move up unless those values moderate this week. Other sellers tied to integrated producers that are not implementing increases on the other hand initially indicated they too will hold downstream truck and railcar offers stable. While such news would ordinarily suggest small volume offers in the USG might remain static, observers point out that those sellers not moving higher in August had elevated spot offers throughout the month of July and the more aggressive marketers are ostensibly those that have more spot barge exposure. One reseller that remained in the competitive fray for much of July by offering trucks FOB USG for \$1.42/gal claims its cost will rise 7 cts/gal next month. Another with a benchmark price of \$1.45/gal had yet to make a decision regarding August, although some suggest it could raise offers as much as 5 cts/gal to maintain margins. Two other sellers were reported targeting truck offers in the mid \$1.50/gal range next week. While some sellers hope to move up next month, a few observers claim competitive lows could remain static in the low to mid \$1.40/gal range FOB USG, although only time and the conviction of potentially low ball sellers will determine what ultimately happens.

Midwest prices remained relatively steady last week with few exceptions according to local distributors and resellers that claimed sales volumes also seemed seasonally thin. There were few reported issues with availability or logistical issues although supply is deemed balanced or even snug and some suggest offers remain in a wide range. Once again the most aggressive distribution offers were attributed to marketers offering trucks and railcars near \$1.68/gal FOB Chicago, although availability is considered sporadic at best. Other more mainstream suppliers and large national distributors are noted holding near or above \$1.72/gal while a few local suppliers that initially sold volume in the low \$1.70/gal range reportedly moved to \$1.76/gal or more FOB after running through much of their inventory. A few also noted limited instances of delivered trucks moving as low as \$1.70/gal.

Prices in the **Northeast** are little changed as of last week and most regional suppliers suggest they have no intention of moving offers heading into August. Supply is considered balanced with little pressure to make way for new imports but downstream sales are still seasonally slow. Truck and railcars FOB Perth Amboy and Bayonne are reported offered in a narrow range on either side of \$1.60/gal. Major marketers in the **Southeast** report making no change as yet to established truck and railcar offers in August, although they expect to move spot up if conditions warrant it. This month some report holding distributor lows near \$1.55/gal FOB Wilmington.



North American Distribution Price Averages



* Average of terminal prices and change from previous month indicated by directional arrow unless otherwise listed.

Far East Markets

Regional activity remained muted last week, particularly in China where logistical interruptions ahead of the Olympics and a fair amount of pre-buying helped quell sales in the last two weeks. Contract prices will likely remain static in August according to most local observers which in the case of Methanex would mean carrying over its \$500/mt benchmark which last went up \$50/mt in June. Fundamental demand in many downstream sectors such as formaldehyde and acetic remain depressed, although China continues to absorb large quantities for fuel use. Availability is considered healthy in most areas with the imminent restart of the Kaltim plant in Indonesia expected this week and new production from both Shanghai Coking and Methanex's 900,000 mt/yr New Zealand facility coming up over the coming weeks. In Malaysia Petronas continues to prepare its new 1.7 mln mt/yr plant in Labuan for first deliveries expected by September or October. Key export oriented plants in Middle East continue to operate with few new interruptions.

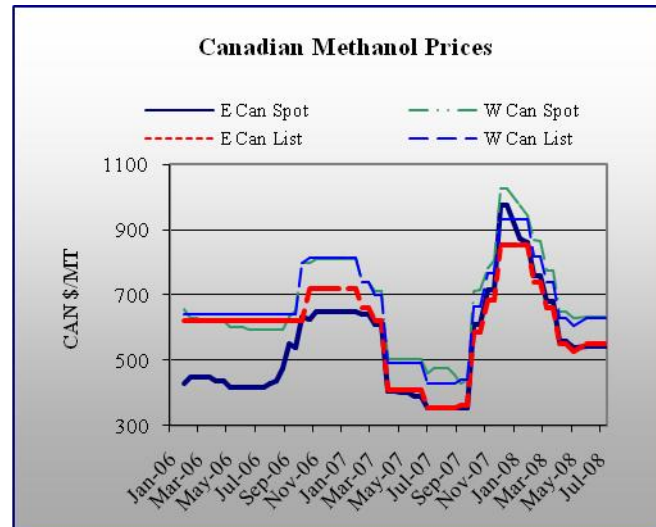
Spot prices across most of Asia remained relatively steady as of last week according to local traders that claimed overall movements declined as Chinese authorities implemented logistical constraints. Large bulk deliveries CFR CMP were considered stable near \$430/mt with little variance between prompt cargoes and a number of imports due to arrive over the next month reportedly placed at the same level. Large bulk spot offers elsewhere in NE Asia were assessed near or above \$460/mt. Domestic methanol prices within China registered no change as of last week. Offers in Eastern and Southern provinces remain assessed around CNY 3,750/mt. Prices in the North and Northeast were still relatively lower with offers for the former quoted around CNY 3,150/mt and for the latter near CNY 2,950/mt.

European Market

Activity last week was deemed seasonally slow with many players out of the office for vacations, although both contract and spot values seemed well supported. Regional production appears largely restored following planned downtime that included a delayed restart at the 660,000 mt/yr Leuna plant in Germany that reportedly had little affect on availability. Imports from the Middle East and Africa also seem relatively unabated of late. With the Q3 contract benchmark established at Euro 295/mt many have begun talking about Q4 with initial discussions centering on possible rollovers, although conjecture at this point is premature. Spot prices CIF Rotterdam T2 last week were near or slightly below Euro 275/mt with some reports of deals between Euro 270/mt and Euro 272/mt.

Canadian Market

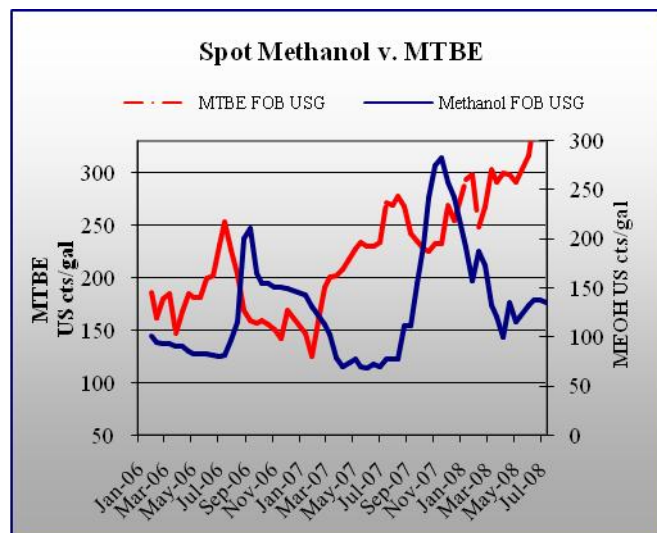
Prices across Canada will remain steady again next month according to producers and major national distributors, although some observers continue to think competition will likely heat up in the next few weeks as sellers begin to make the rounds ahead of the season. Methanex will once again hold its regional benchmarks steady in August after doing the same in July and adjusting prices in both the East and West up CAN \$25/mt in June. Other suppliers were noted also holding prices stable next month after holding steady in July as well following increases of between CAN \$10 to \$25/mt in June as well. Availability in both the East and West remains relatively healthy with a few reports of limited position taking among resellers. Demand is predictably slow for the most part.



Small volume sales are still tempered and prices are deemed uneventful according to local sellers. Truck offers in the **East** settled into a narrow range near CAN \$500/mt delivered Ontario and Quebec after moving roughly CAN \$10 to \$25/mt higher in June according to observers. Methanex's benchmark in the East rose CAN \$25 to CAN \$550/mt in June and remains steady through next month. Activity in the **West** is also still somewhat slow and prices are stable near the CAN \$630/mt distributor benchmark set by Methanex in June. There are rumors one large regional distributor took a position with a multiple railcar spot purchase in the USG, although confirmation remains elusive.

Derivative Markets

Demand within North America is still slack. Midmonth the US government released its latest housing statistics that indicate starts for June rose 9% for the month but remained roughly 27% below levels registered last year. Completions moved marginally higher as is the norm for this time of year, but levels were still about 22% below those in 2007. MTBE demand ebbed somewhat last week as gasoline values dipped, although spot prices FOB USG remained assessed in the low \$3.60/gal range.



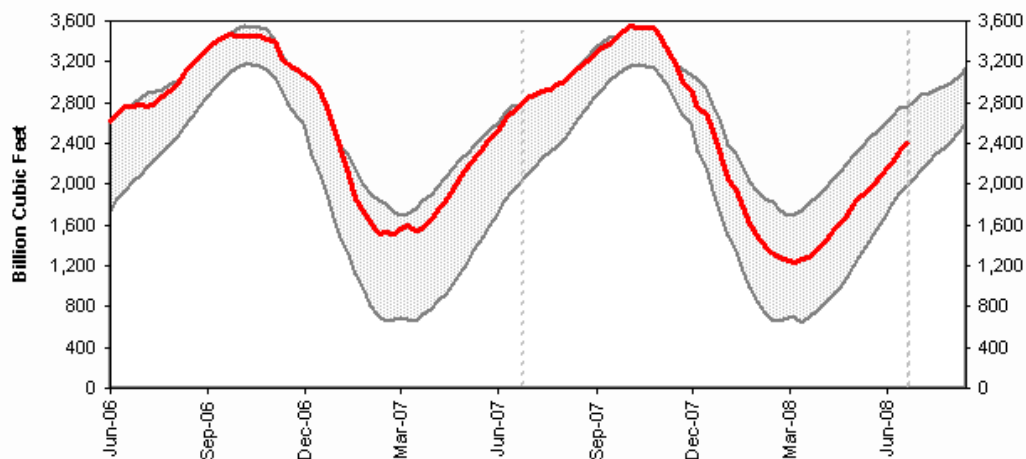
Natural Gas

Both futures and physical based natural gas prices declined last week amid moderating demand and corresponding energy dips, as well as the near miss of a hurricane. Last week stocks grew 84 Bcf putting levels only marginally below the five year average, although the numbers remain well below levels at this time last year. North American gas rigs last week totaled 1,555, up 21 from a week prior and 81 rigs higher than levels posted a year ago. Drilling in Canada also moved higher with the latest rig count up 25 for the week at 435, a significant 64 rigs above levels noted a year ago.

Gas Stocks as of July 18, 2008	
Total for lower 48 States	2,396
Change from prior week	84
Compared with last year	-14%
Compared with 5 year average	-1%

Gas Prices			
	Price	Change	Pct change from year ago
Henry Hub Spot	\$9.33	-36	37.83%
NYMEX Jul07	\$9.08	-24	34.58%
NYMEX 12 Month Strip	\$9.55	-21	18.95%
Aeco Spot	\$8.08	-33	37.50%
Kingsgate	\$8.07	-61	22.14%

Working Gas in Underground Storage Compared with 5-Year Range



Source: EIA

NOTICES

- Please let us know if you did not receive a free sample of **detailed methanol import data** sent via e-mail in the form of both a spreadsheet and an Access database. The only one of its kind, we are now offering this unique information on a yearly subscription basis. If you have questions or any interest please contact us as soon as possible.

Methanol Prices

**Terminal prices this month subject to change*

U.S.

(U.S. cts/gal)

Contract	Q2 AVG	<i>April</i>		<i>May</i>		<i>June</i>		<i>July</i>	
List FOB USG	154.50	152.00	- 160.00	150.00	- 152.00	155.00	- 158.00	155.00	- 158.00
Weighted Contract Avg	153.83	152.00	- 156.00	150.00	- 152.00	156.00	- 157.00	156.00	- 157.00
Spot									
Barges FOB USG	135.00	135.00	- 135.00	132.00	- 133.00	137.00	- 138.00	139.00	- 141.00
Terminals									
FOB Houston	142.50	140.00	- 145.00	138.00	- 145.00	142.00	- 145.00	142.00	- 145.00
FOB S. LA	142.50	140.00	- 145.00	138.00	- 145.00	142.00	- 145.00	142.00	- 145.00
FOB Bayonne	158.33	155.00	- 160.00	155.00	- 160.00	158.00	- 162.00	158.00	- 162.00
FOB Perth Amboy	158.33	155.00	- 160.00	155.00	- 160.00	158.00	- 162.00	158.00	- 162.00
FOB Wilmington	152.33	145.00	- 155.00	145.00	- 155.00	154.00	- 160.00	154.00	- 160.00
FOB Chicago	163.33	160.00	- 170.00	152.00	- 165.00	163.00	- 170.00	168.00	- 176.00
MTBE FOB USG	324.00	295.00	- 300.00	315.00	- 317.00	357.00	- 360.00	362.00	- 364.00

Canada

(CAN \$/MT)

Cont. List FOB E. Can.	542	550	- 550	525	- 525	550	- 550	550	- 550
Cont. List FOB W. Can.	622	630	- 630	605	- 605	630	- 630	630	- 630
Spot Del. E. Canada	547	550	- 570	525	- 550	535	- 550	535	- 550
Spot Del. W. Canada	637	630	- 670	605	- 650	615	- 650	615	- 650

Asia

(U.S. \$/MT)

Spot CFR China	428	390	- 400	440	- 450	440	- 450	430	- 440
Spot CFR S.E. Asia	380	380	- 390	375	- 385	370	- 380	360	- 370

Europe

(Euro/MT)

Contract List FOB NWE	295	295	- 295	295	- 295	295	- 295	295	- 295
Spot FOB NWE T2	258	225	- 230	255	- 260	285	- 290	270	- 275

List (non-discounted) prices posted once nominations are made are subject to change.

*Figures in *italics* are preliminary based on nominations or estimates referenced in report

(Terminal quotes represent prices to distributors or large end users)

Shipments Reported						
Product	Ship	Quantity	Source	Discharge	Lifting	Freight US\$/mt
Methanol	N/A	10,000	Yuzhny	India	2H May	N/A
Methanol	N/A	10,000	Venezuela	Houston	2H May	N/A
Methanol	N/A	2,500	Arzew	Italy	2H Apr	N/A
MTBE	N/A	10,000	Al Jubail	China	2H Apr	N/A
MTBE	N/A	4,000	Al Jubail	Singapore	2H Apr	N/A
Methanol	N/A	3,700	Arzew	Gela	2H Mar	N/A
MTBE	N/A	4,500	Malta	Pt Maghera	2H Mar	N/A
MTBE	N/A	30,000	USG	NWE	1H Mar	N/A

*Spot shipments listed are not exhaustive and freight rates are in some cases estimated.

For more detailed import and export information please contact *Chemical Intelligence* regarding the new EXIM report.

Planned & Unplanned Outages					
Company	Product	Location	Cap. (mt/yr)	Dates	Details
AMPCO	Methanol	Eq. Guinea	900,000	Jul 15-31	Unplanned cat change.
Ar Razi II	Methanol	Saudi Arabia	850,000	May 7-Jun 30	Planned T/R.
Ar Razi III	Methanol	Saudi Arabia	850,000	Jan 2008	Planned T/R.
Ar Razi IV	Methanol	Saudi Arabia	850,000	Q1 2008	Planned T/R.
Celanese	Methanol	Edmonton, Canada	800,000	Jan 1-	Methanex off-take begins.
CMC M2	Methanol	Pt. Lisas, Trinidad	550,000	April 1-25 08	T/R
Doljchim	Methanol	Craiova, Romania	230,000	Apr 15-30	T/R
Fanavaran	Methanol	Iran	1,000,000	Apr 11-20 08	Unplanned outage.
IMC	Methanol	Jubail, S. Arabia	1,000,000	Aug 2007	Planned T/R.
Ibn Sina	Methanol	Jubail, S. Arabia	1,000,000	Jun 2008	Planned T/R.
Jiantao	Methanol	Chongqing, China	450,000	Mar 1-Apr 30 08	T/R
Kaltim	Methanol	Indonesia	660,000	Jan 2009	Planned T/R.
Kharg	Methanol	Kharg Island, Iran	660,000	Feb 25-Mar 25 08	Planned T/R
Litianhua	Methanol	Sichuan, China	400,000	Feb 11-Apr 1 2008	T/R
TTMC2	Methanol	Pt. Lisas, Trinidad	550,000	Mar 25-Apr 20 08	T/R
M5000	Methanol	Pt. Lisas, Trinidad	1890000	Apr-May 2008	Maintenance.
Medco	Methanol	Bunyu, Indonesia	330,000	Nov 10-	Unplanned outage.
Metafrax	Methanol	Gubakha, Russia	825,000	Sep-Oct 2007	Planned expansion.
Metor	Methanol	Jose, Venezuela	750,000	Jul 15-Aug	T/R
Mider Helm	Methanol	Leuna, Germany	660,000	May 3-Jun 30 08	T/R
Millennium	Methanol	La Porte, TX	615,000	Aug-Oct 2007	Unplanned outage.
Petronas	Methanol	Labuan, Malaysia	660,000	Aug 2008	Maintenance.
Qafac	Methanol	Qatar	825,000	Mar 2008	Planned T/R.
Shanghai Cok.	Methanol	Shanghai, China	350,000	May 2007	Planned T/R.
Statoil	Methanol	Norway	900,000	May-Sep 2007	Outage.
Supermetanol	Methanol	Jose, Venezuela	670,000	Jul 6-10 07	Unplanned outage.
Supermetanol	Methanol	Jose, Venezuela	670,000	June 5-30 07	Planned T/R.
Zagros	Methanol	Assaluyeh, Iran	1,650,000	May 5-15	Planned T/R.

Current Exchange Rates		
<i>Currency</i>	<i>USD/1 unit</i>	<i>1 unit/USD</i>
Canadian Dollar	\$0.98	\$1.02
Chinese Yuan Renminbi	\$0.15	\$6.83
Euro	\$1.57	\$0.64
British Pound	\$1.99	\$0.50
Japanese Yen	\$0.01	\$107.89
Mexican Peso	\$0.10	\$10.12

- ❖ For information regarding this report, please contact George West or April Hobbs at (281) 444-2872. Fax: (281) 582-1656. E-mail: info@chemicalintelligence.com
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