



LPG Market Outlook

Uncertainty in oil markets weigh on Middle East exports

Earlier this month, the members of OPEC+ agreed to extend the 9.7 MMb/d production cuts on the assumption producers will comply to the agreement. As a result of the oil price war between Russia and Saudi Arabia earlier this year, there has been poor compliance from Iraq and Nigeria and over-compliance by other producers causing a rift between the members. In addition, global oil and refined product demand has plummeted as a result of Covid-19 related lockdowns and a subsequent economic downturn.

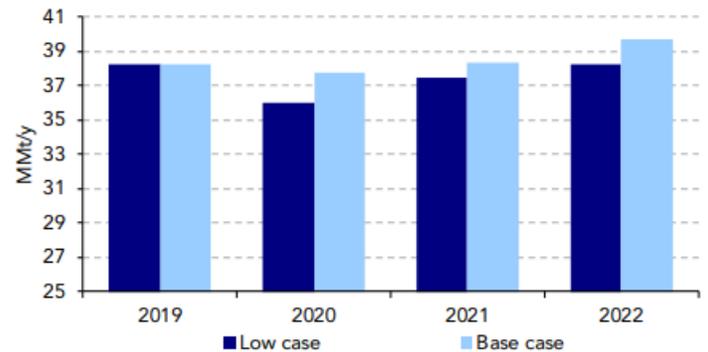
With all these factors at play, the forecast for Middle East exports considers two scenarios. In the base case, there is non-compliance to the agreement and demand for LPG slowly rises as the global economy recovers at a modest pace. In the low case, the oil market remains bearish, global demand remains weak, and the global economy continues into prolonged recession.

Exports are expected to decline 1% from 2019 to 37.8 MMt/y for 2020 in the base case before rising to 39.7 by 2022. In the low case, LPG exports fall below 2019 totals by roughly 1.5 MMt/y to 36 MMt/y. Exports rise much slower in the low case to 38.2 MMt/y in 2022. Exports out of Saudi Arabia are forecast at 8.3 MMt/y in 2020 rising only slightly out to 2022. Saudi Arabia had plans to expand the production of non-associated gas in the Hasbah gas field, but production from the field was supposed to come online last October.

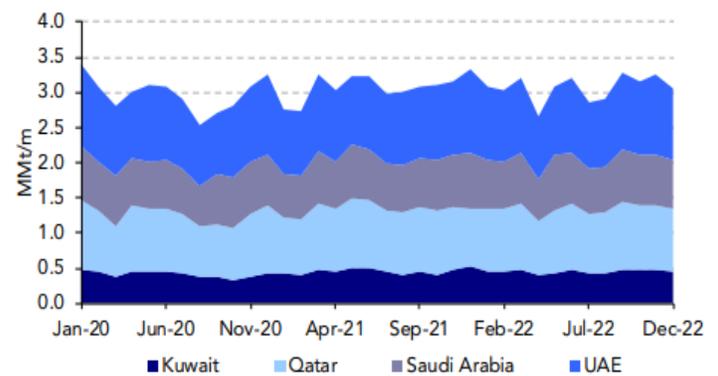
Given the current state of the oil and gas market it is likely this and other expansions will be put on hold. Exports from the UAE are forecast to remain flat until 2022 at roughly 12.3 MMt/y. Exports from Kuwait are expected to rise in comparison the others shown in the graph to the right. Expansion of the Mina al-Ahmadi refinery complex is expected to boost exports to 5.5 MMt/y by 2022 – up from 5 MMt/y in 2020.

Increased LPG trade between the US and China has reduced Chinese dependence on Middle East supply while demand in India has gone up. As a result, more Middle East cargoes have discharged in India so far in 2020. The trend is expected to continue as demand in India is forecast to continue increasing.

Forecast scenario for Middle East exports



Middle East monthly export forecast



Middle East exports by destination

