

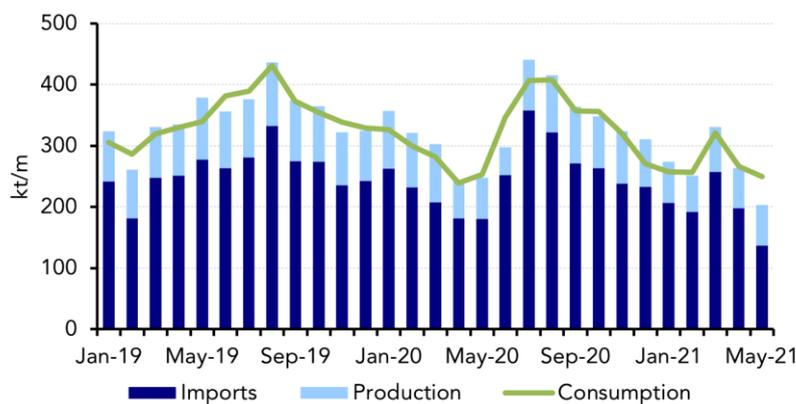


## LPG in World Markets

### Med demand to recover slowly in 2H

LPG imports into the Mediterranean region remain depressed so far in 2Q as higher demand from the petrochemical sector was offset by lower demand from retail, commercial and autogas sectors due to Covid-19 related lockdowns/restrictions in major consuming countries like Turkey, Morocco, Italy and Spain. Demand is expected to slowly recover starting in June with the expected easing of lockdown measures and rollouts of the vaccine driving higher imports.

#### Turkish supply vs. demand



Turkish LPG imports declined 6.5% in 1Q from the same quarter in 2020, according to the most updated data from EMRA. Imports picked up in March with higher consumption; however, rising Covid-19 cases stalled the recovery in April and May.

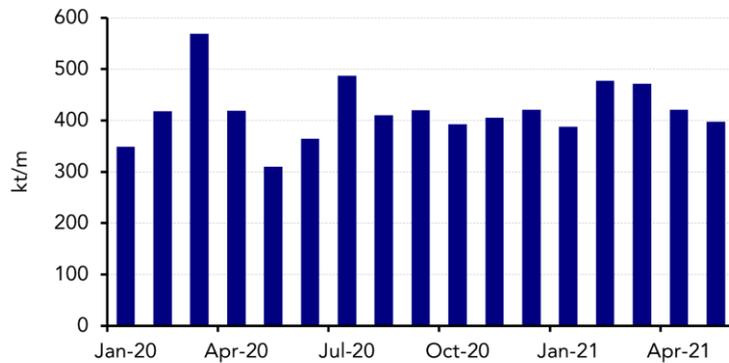
According to shiptracking data, LPG imports fell roughly 30% in May from March levels.

The Turkish government imposed a 17-day nationwide lockdown in May to combat surging infections, sharply reducing the demand for autogas, the key driver for Turkish LPG consumption. According to the Turkish regulators, autogas demand in 1Q fell more than 10% from the same period in 2020, while retail demand saw a small increase. Autogas demand fell further in June due to lockdowns, according to market sources.

The lockdown and ongoing vaccination efforts helped reduce the number of infections. The local government since May 17 has been slowly easing some restrictions which is expected to drive demand higher going forward.

One major Turkish LPG importer is looking to import two VLGC size cargoes in June which is higher than their normal cargo size amid expectations of demand recovery, according to market sources. Lower supply from domestic refineries also increased reliance on imports in 1Q. Domestic supplies from refineries fell in 1Q by 29% from the previous year to roughly 200,000 t mainly due to lower run rates as refiners cope with low jet fuel demand. With some resumption of travel in 2Q refinery run rates should be higher, increasing domestic supply and should continue to recover in 2H.

## Seaborne LPG imports by Italy and Morocco



LPG demand in Morocco was also down in 2Q due to restrictions. Moroccan LPG consumption as cooking fuel usually picks up during the month of Ramadan which ended on May 12 and celebration of Eid al-Fitr; however, this year consumption did not see the uptick amid restrictions on large gatherings.

Consumption from the commercial sectors like restaurants were also down due to lower visits.

This year Moroccan demand has been one of the lowest the market has seen, said one source. Moroccan importers have been mostly inactive in the spot market in the past two months as demand is mostly satisfied by term contracts.

With lower infection rates some restrictions were eased in May; however, there is still some ban on large gatherings.

Similarly, Italy, the fifth largest autogas market, saw a sharp decline in consumption due to restrictions in 1Q. Some of the restrictions has been eased since April. Market players are expecting the recovery in demand to be gradual in these countries going forward.

LPG demand in Spain has increased so far in 2Q as a favorable propane naphtha spread incentivized demand for LPG in the petrochemical sector. Spanish demand fell more than 20% in 1Q to 565,000 t mainly driven by a 57% drop in LPG consumption in the petrochemical sector due to an unfavorable propane-naphtha spread. Autogas demand was also down 18%; however, autogas accounts for only a small portion for Spanish demand. Imports fell 22% in 1Q to 270,000 t.

Since May, propane has become favorable for ethylene produces due to the relative strength in naphtha prices driving higher demand for LPG in steam crackers; however, imports have remained low in the past month indicating there should be some growth in imports going forward.

## Spain LPG consumption by sector

