



POTEN & PARTNERS

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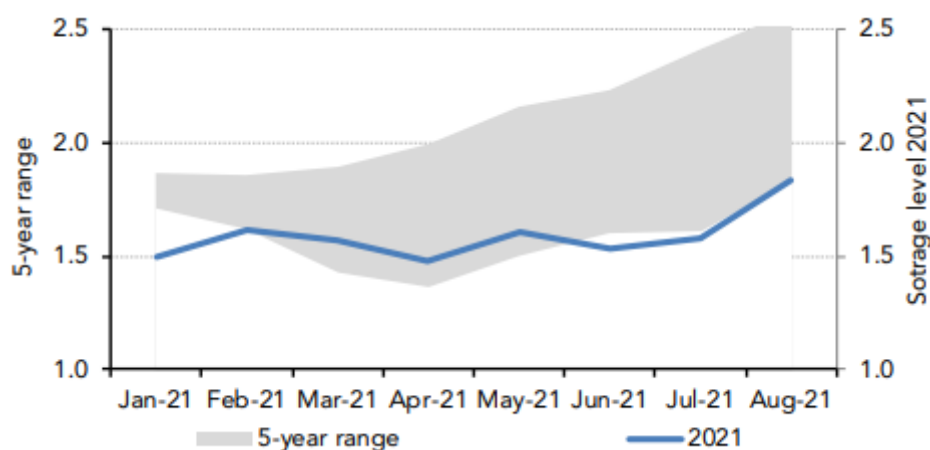
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LPG Market Outlook

Imports for Japan to rise this winter on low stocks

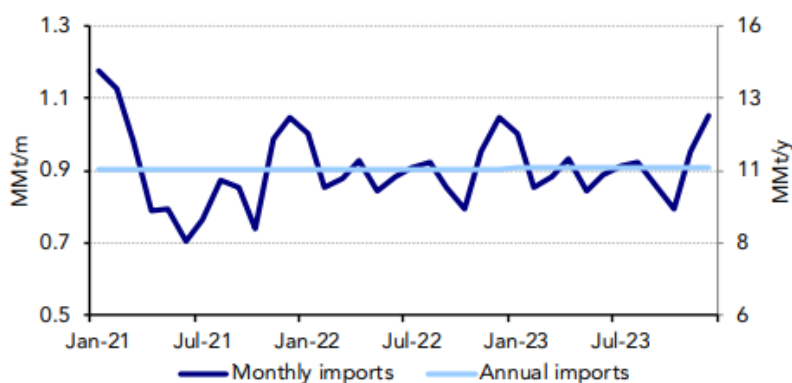
Low inventory levels and the economic recovery from Covid-19 are expected to increase 2021 imports for Japan to levels seen in 2019 at 10.8 MMt/y – up from 9.8 MMt/y in 2020. Japanese inventory levels are at the very bottom of the five-year range heading into the winter when residential demand is forecast to drive imports higher.

Japan Storage levels and five-year range



High prices have decreased the incentive to store and worsened the inventory situation in Japan following 1Q 2021. Japan will need to increase imports in the near term to have adequate supplies for the approaching cold weather. The current forecast calls for roughly 2.8 MMt/y in 4Q 2021, but there is plenty of upside potential. Export availability may be a limiting factor.

Japan LPG import forecast



High natural gas prices are having both positive and negative effects on the LPG market for Japan. On one side of the equation, high natural gas prices mean that demand for LPG in heating will increase as the alternative to gas. On the other, it means LPG prices will rise and the spread between naphtha and propane will increase. This dynamic would put LPG out of the petrochemical feedstock slate.

Imports may be higher than currently forecast if heating demand is higher than expected. The only issue is sourcing the LPG. Japan has sourced more LPG from the US, Canada and Australia lately. South Korea has done well to keep inventory levels at suitable levels which means that Japan will likely buy cargoes from one of these three sources away from South Korea if the need strikes.

Asia Pacific LPG import forecast and Japan's % of total regional imports

