

# Egypt Petrochemicals Report Q4 2011

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## Abstracts

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The short-term outlook for the Egyptian petrochemicals market looks uncertain while production will be undermined by flagging export markets as well as the slowing domestic market, according to BMI's latest Egypt Petrochemicals Report. We forecast a slowdown in economic activity with growth of 3.2% in FY2010/11, compared to 5.1% the previous year. On the upside, a 5.6% depreciation of the Egyptian pound against the US dollar and a 13.9% depreciation against the euro will help protect the industry from foreign competition on the domestic market.

Some segments will fare better than others, with average 4.4% growth in the construction sector in 2011- 2015 likely to buoy demand for rebar and other construction-related metals products. Meanwhile, automotive production has been disrupted by the impact of unrest on operations as well as domestic demand, with the market set for zero growth this year, at best. This will depress domestic use of aluminium and sheet steel.

Despite the short-term problems, Egypt's long-term potential means that it is continuing to draw investment in the petrochemicals sector and projects are still on track. The Egyptian-Indian Polyester Company has started construction of a 440,000tpa PET plant that is due to begin production in December 2012. The facility will meet Egypt's domestic demand, currently covered by imports, and will facilitate exports of PET. Meanwhile, the Egyptian Polystyrene Production Company (Estyrenics) is planning Egypt's first ethylbenzene-styrene monomer plant with 300,000tpa capacity at the El Dekila port site at Alexandria. It represents the second phase of a larger styrenics complex. The first phase, which is nearing completion, includes a 200,000tpa PS unit, although there are concerns that it could be a victim of burgeoning overcapacity. In April 2011, Sidpec and two state-owned Egyptian companies announced they were jointly planning an investment of EGP7bn (US\$1.2bn) on building an ethylene plant in Egypt.

Sidpec said the company had obtained a licence to build a plant with capacity to produce 460,000tpa ethylene.

Meanwhile, Egypt Japan Petrochemical Corporation – a joint venture between Mitsubishi Corporation and Chiyoda Corporation – is planning to develop with Egypt's Carbon Holdings the world's largest methanol plant at Ain Sohkna with combined capacity of 6,000tpd. Hydrogen-rich gas byproducts would be used in a separate 2,000tpd ammonia plant to be based at the same site for which Uhde is providing its process technology and engineering services. Work on the methanol/ammonia complex is scheduled to begin in 2012 with completion targeted for the middle of 2015. In addition to the methanol and ammonia complex, Carbon Holdings will commence construction of a 1,060tpd ammonium nitrate production facility in 2011.

Carbon Holdings is also making progress at its new olefins product with a three-line Unipol process PE plant with combined capacity of 1.35mn tpa, including three PE plants, each designed for 450,000tpa – one will produce HDPE and the other two will be HDPE/LLDPE swing units. The complex is expected to come onstream in 2015. The PE plants would be fed by a naphtha cracker at the site with the capacity to produce 900,000tpa of ethylene and 400,000tpa of propylene. The ethylene will be utilised by the PE units, while the propylene will be sold on to the Oriental Petrochemicals Company.

Other projects include EPPC's new 350,000tpa PP facility at Port Said, which BMI believes should be fully functional in 2011. Meanwhile, a new VCM/PVC plant complex originally due to start up in February 2010 was delayed by TCI Sanmar, possibly to 2011. The VCM plant will have a capacity of 400,000tpa and the PVC plant will have a capacity of 200,000tpa that is scheduled to be doubled by 2012.

In the Middle East and Africa Petrochemicals Business Environment Ratings, Egypt is in ninth place, with 47.0 points out of 100, down 0.1 point due to a modest decline in its country risk score. It lies just behind Turkey and ahead of Algeria. The score has downside risks owing to the continuing uncertainties relating to the political environment following the overthrow of Hosni Mubarak as president in March 2011.

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