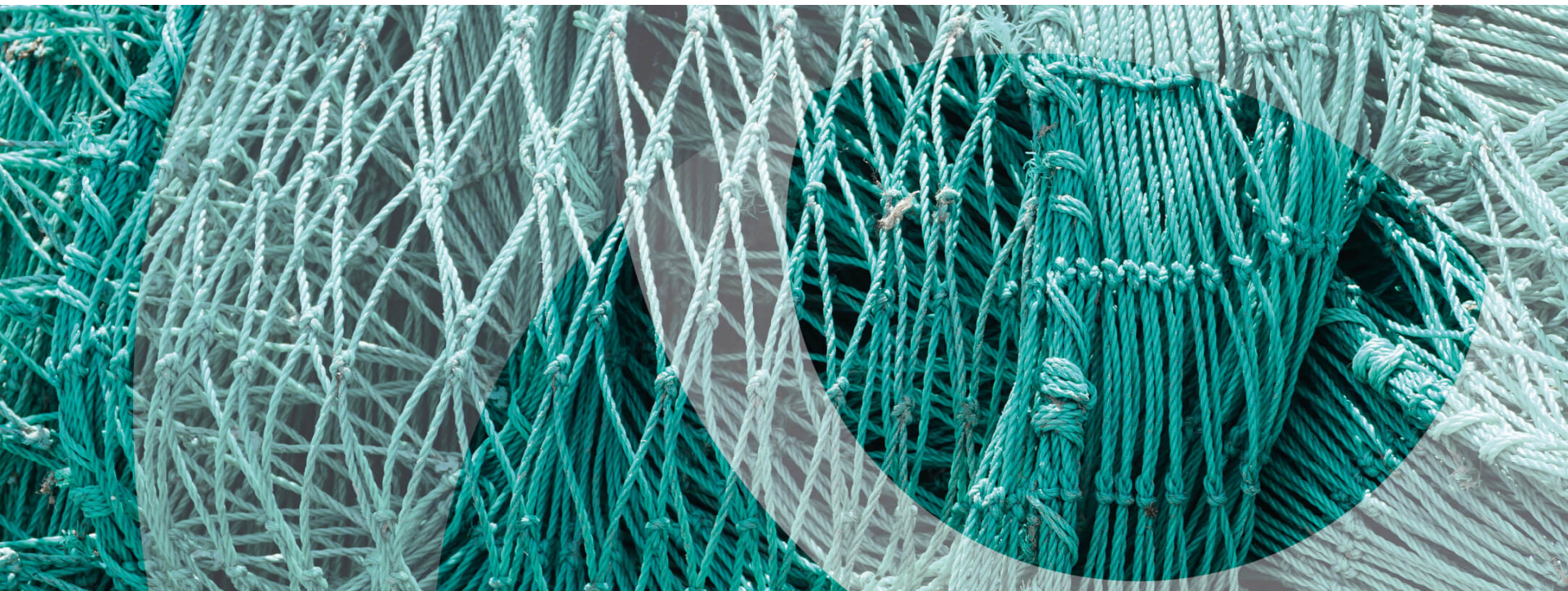


# ITMF Annual Conference 2020

In the wake of COVID-19: impact on the fibre world and sustainability debate

Alexei Sinitsa, Ph.D., Fibres Consultant





# Can any segment of the worldwide fibre and textile industries feel right and safe about its future?





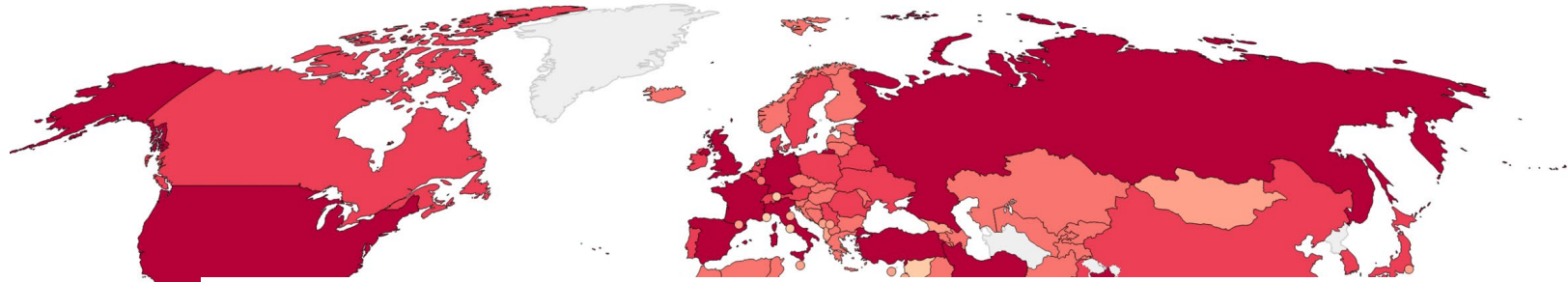
# Agenda

- 1 Global Fibre market overview and COVID-19 impact**
- 2 Raw materials for fibre business – available and plentiful**
- 3 Sustainability debate and Synthetic Fibres position**
- 4 Wood Mackenzie Fibre Services**
- 5 Closing remarks and Q&A**

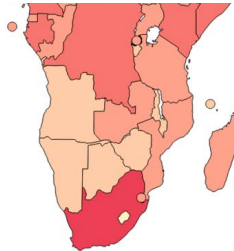
# **1. Global Fibre market overview and COVID-19 impact**



## Fibres: Covid-19 impact



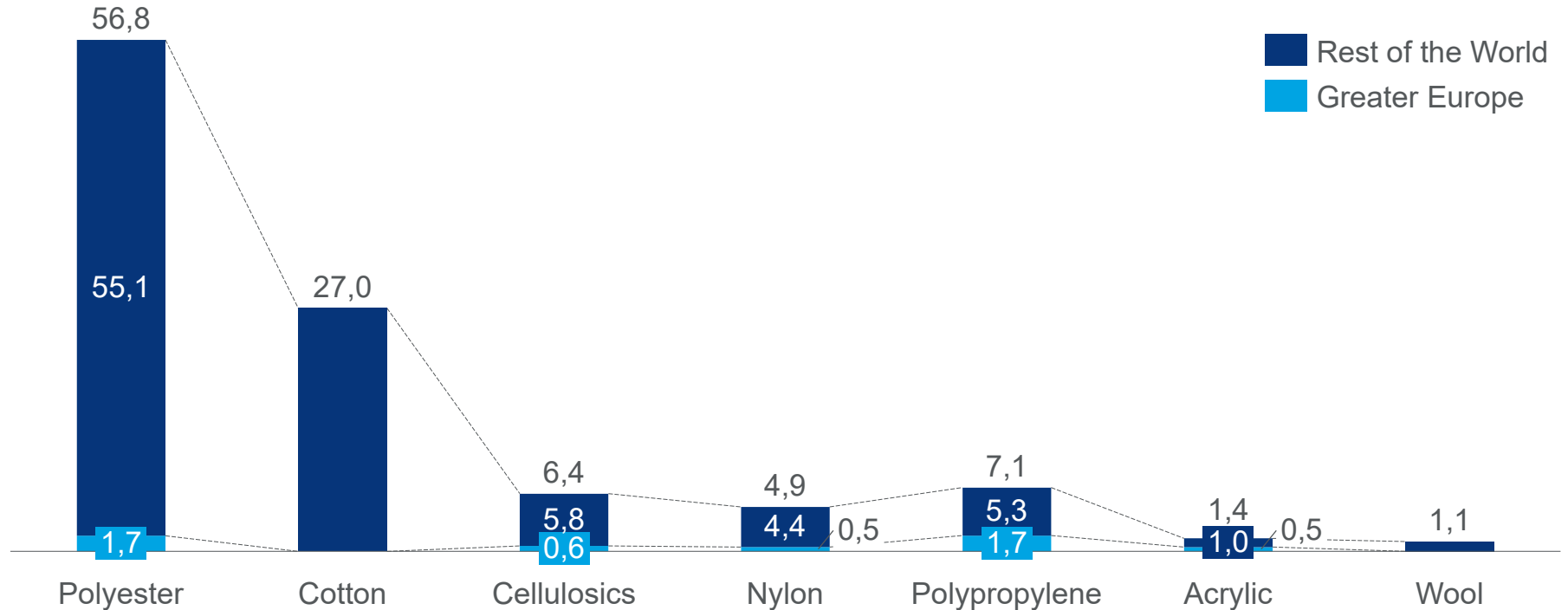
**Strong impact during 2020 even if not the same depending on the region, the segment.**





# Estimated 2019 global fibre manufacturing (long time ago, before COVID)

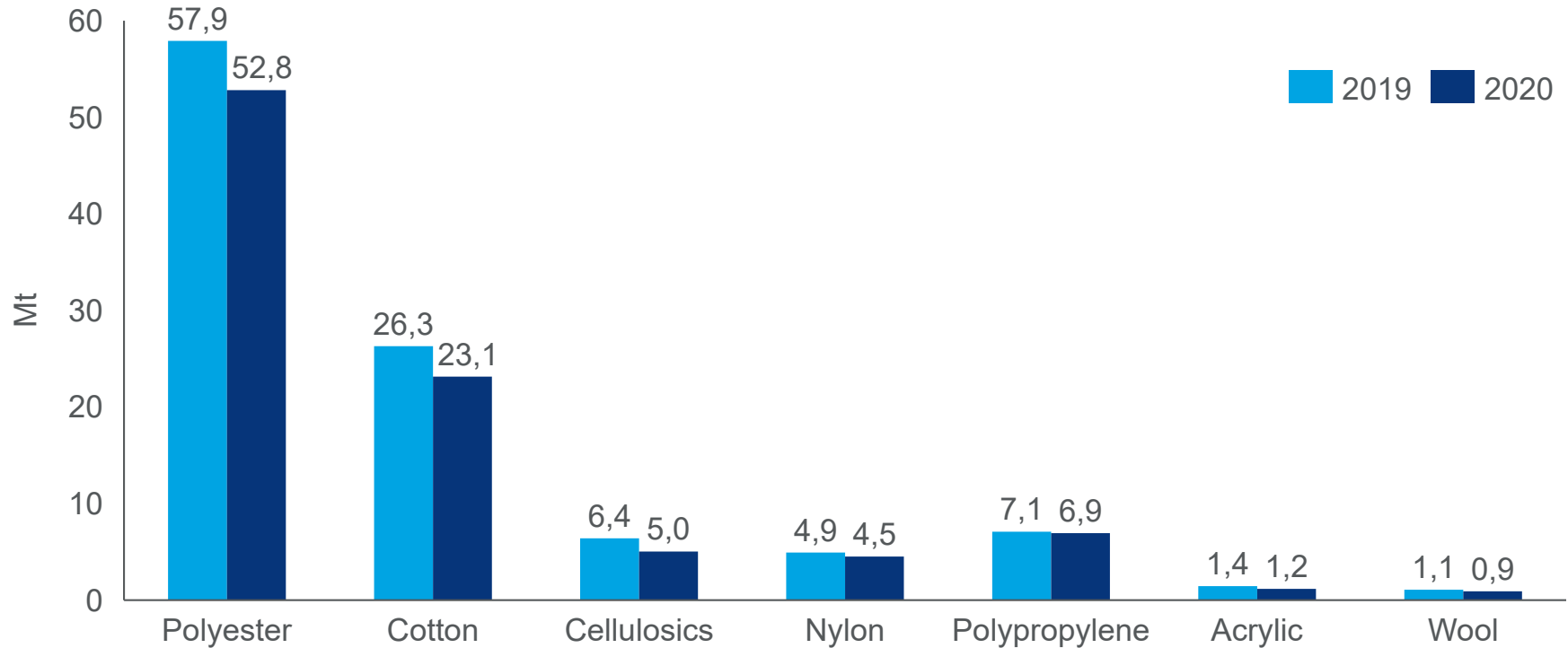
## 104 Million Tons





# Estimated global fibre mill consumption

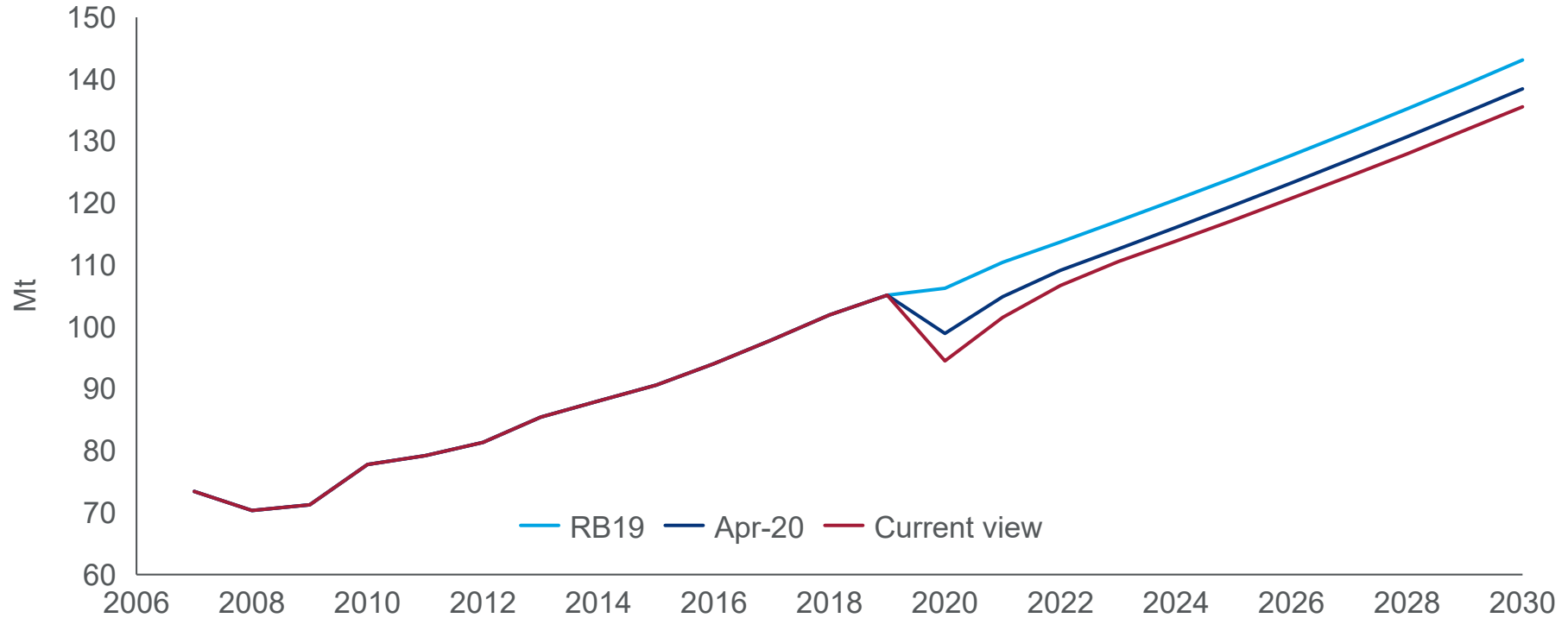
10.6 million tons lost to COVID-19 in 2020 vs 2019





# Global fibre mill consumption volumes – impact of COVID-19

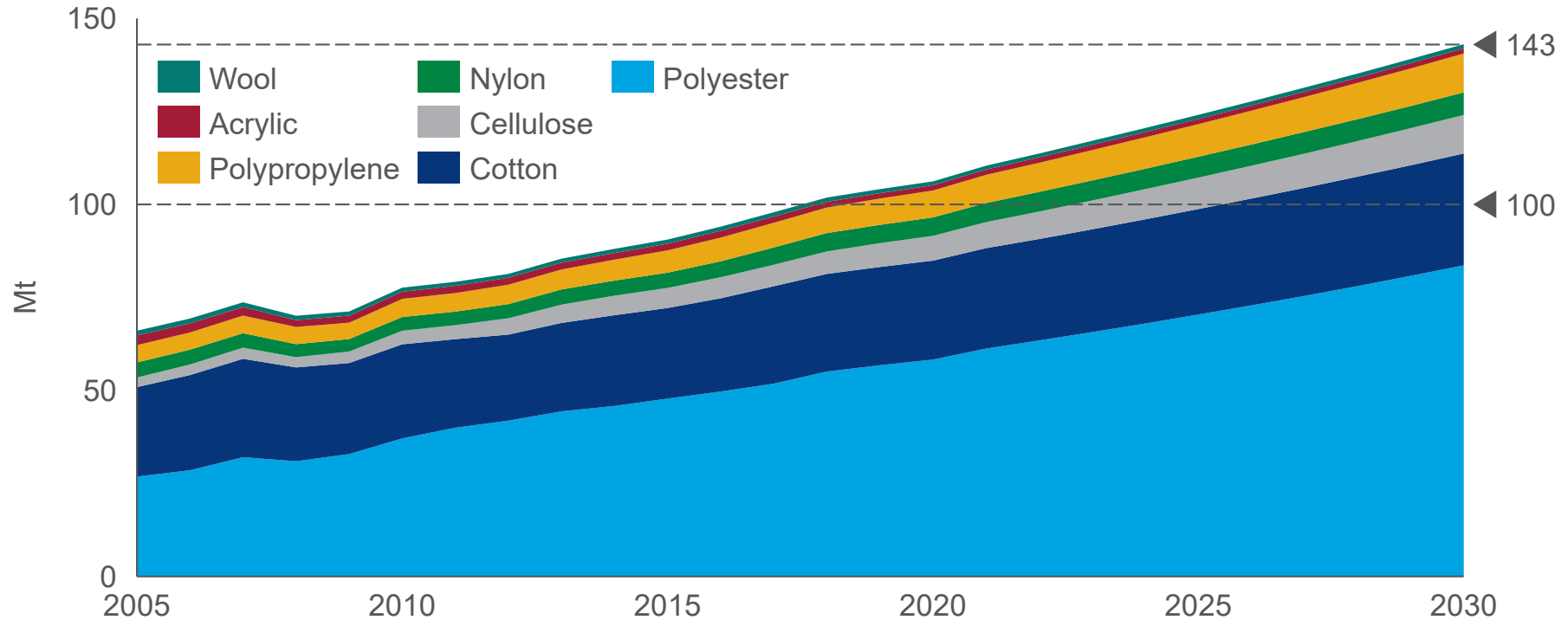
Evolution of forecasts in global mill consumption, from our analysis for “RedBook 2019”, as





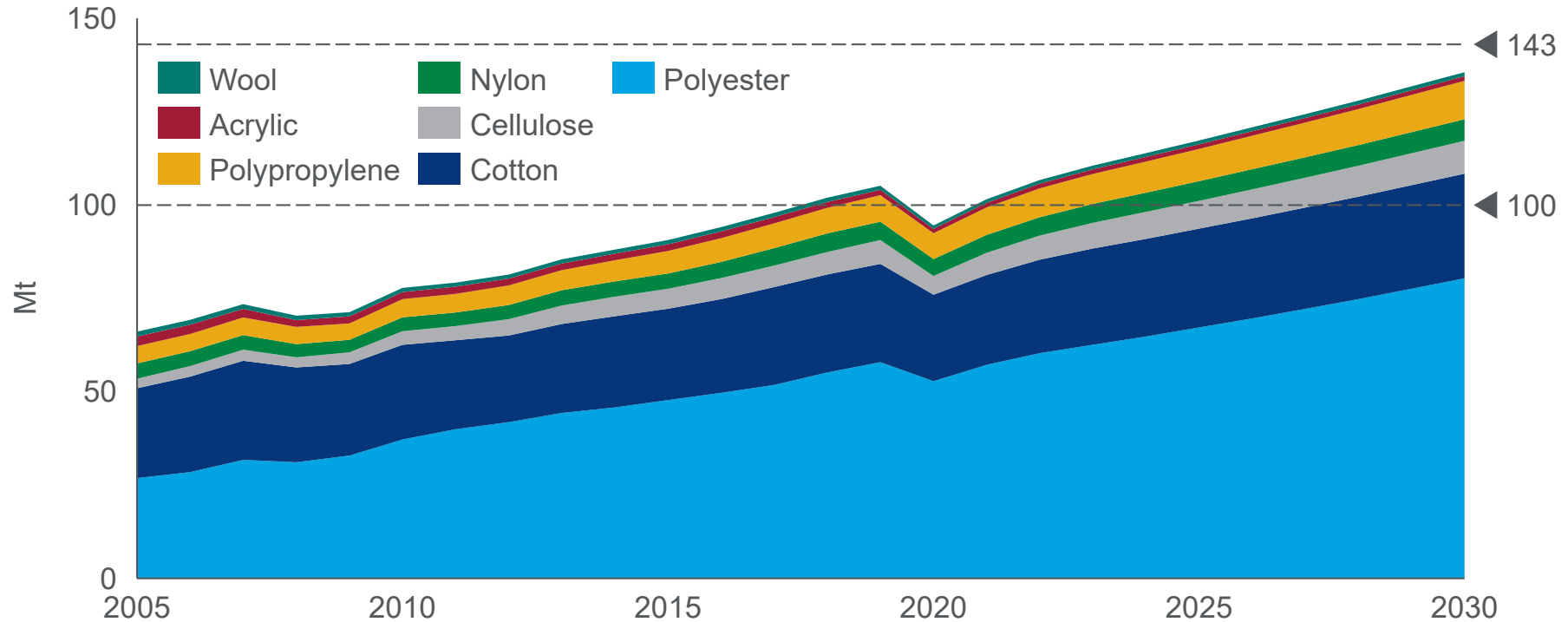


## Estimated global fibre production – the way fibre markets evolved, before COVID-19 was first heard of.





## Estimated global fibre production – now that we are here, and pandemic has taken its toll.



## **2. Raw materials for fibre business – available and plentiful**

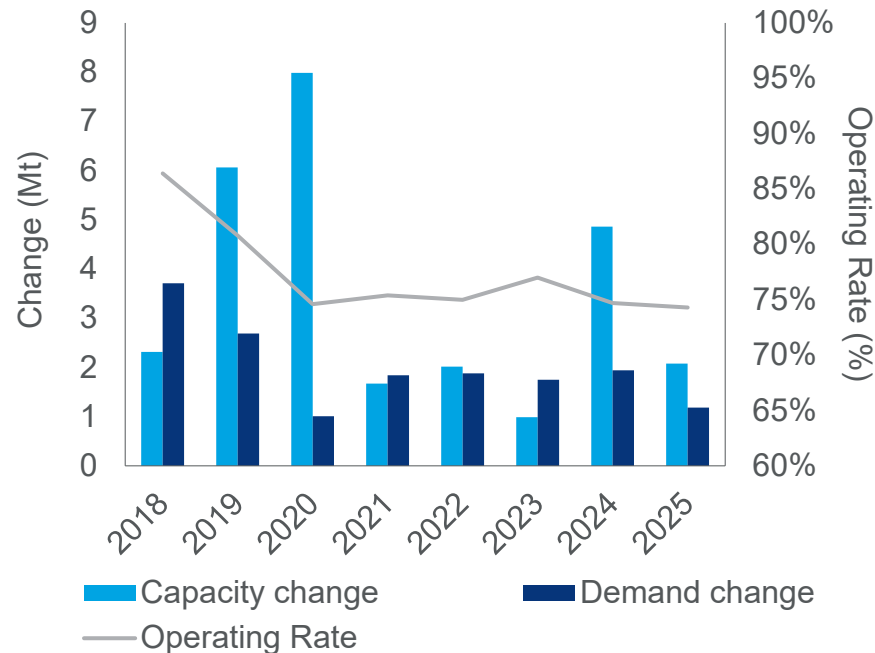


# Bracing for the storm

2020 was set out to be difficult for PX industry as it grappled with oversupply



Change in global PX capacity and demand, Q1 2020 update (pre-covid)



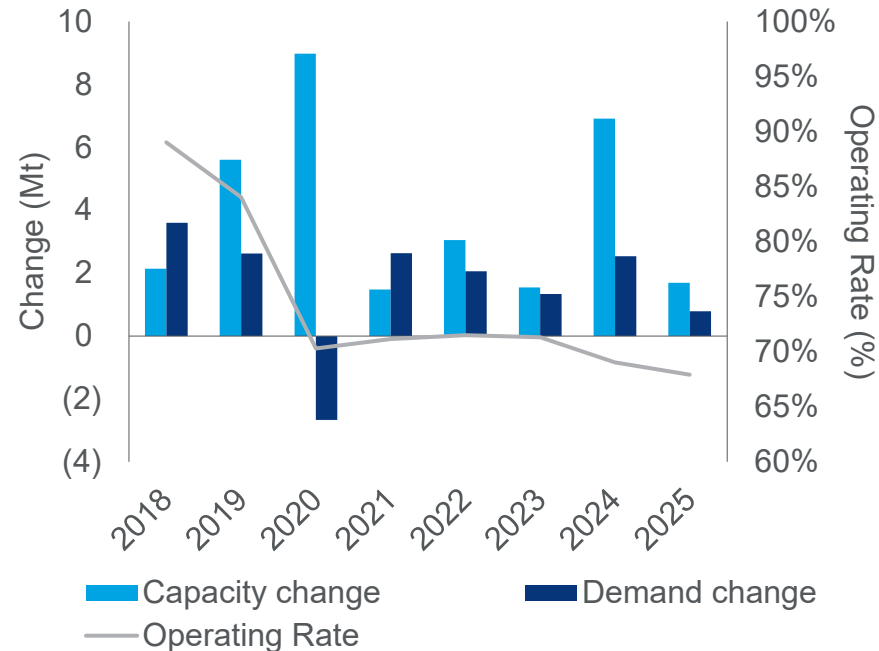


# Coronavirus and demand -- the storm strengthens

Coronavirus resulted in drastic cutbacks; demand 3 Million tons lower than Q1 expectations



Change in global PX capacity and demand, Q3 2020 update





# PA66 Intermediates – Good News or Bad News?



The answer depends on your expectation:

- ✓ End of Force majeure black-series
- ✓ Successful Butachimie debottleneck
- ✓ End of intermediates shortage
- ✓ Price reduction
- ✓ Plummeting raw material costs
- ✓ **Demand reduction**

Polyamide FM Activity	2009				2010				2011				2012				2013				2014				2015				2016				2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4								
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The Covid-19 brought forward to 2020 the (over)supply and demand situation that we were projecting to 2023

### **3. Fibre sustainability debate and synthetic fibres position**



**Sustainability,  
Pollution, and the  
Circular Economy**







# Introduction to sustainability in fibres

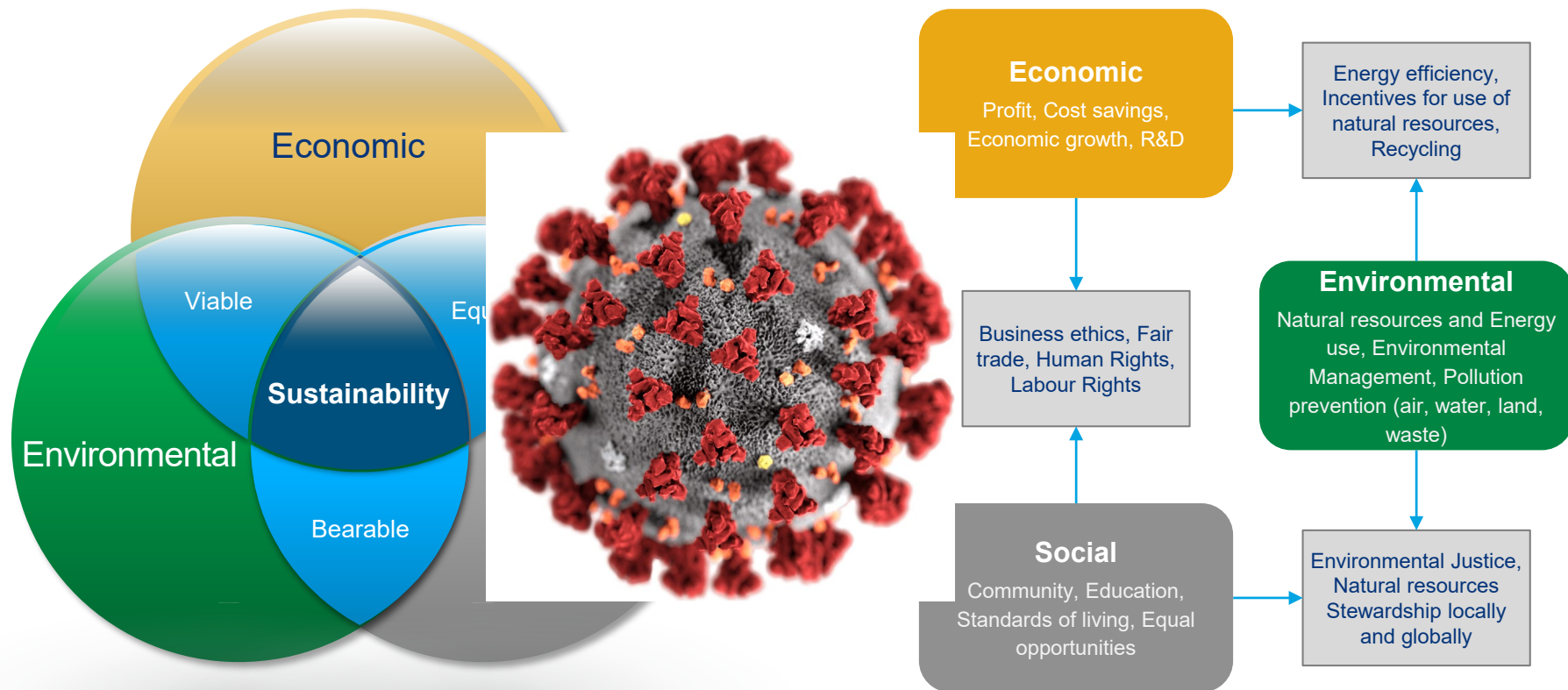
## What is “sustainability” and its applicability in the fibres context

- Sustainability in fibres could be delivered via:
  - » Departure from non-renewables:
    - » as feedstocks
    - » as energy source
  - » Circularization of fibre materials
  - » Minimization of environmental footprint:
    - » as CO<sub>2</sub> and other atmospheric emissions
    - » as water effluents
    - » as workplace hazards
    - » as soil pollution and landfill waste

*As per United Nations 1987 Bruntland Commission “Report of the World Commission on Environment and Development: Our Common Future”, sustainability is defined as “**meeting the needs of the present without compromising the ability of future generations to meet their own needs.**”*



# Sustainability: More complex than just recycling





# Fibres - renewable solution not found yet?

## Fibres Renewable Solution Matrix

### Bio-sourced

In competition with food, ethically problematic  
Environmental concerns: acreage, toxic pesticides, processing chemicals, water supply constraints

### Recycled

Technically challenging to achieve fibre-grade quality of recycled feedstocks  
  
Long supply chains for post-consumer waste

### Bio-degradable

Not reduce fossil fuel use  
Not reduce CO<sub>2</sub> generation  
Composting difficult

### Weaknesses

### Strengths

Reduce fossil fuel use  
Reduce CO<sub>2</sub> generation  
Possible to include into crop rotation

Reduce the plastics waste issues  
Reduce fossil fuel use  
Reduce CO<sub>2</sub> generation

Reduce the plastic waste issues

No single ideal solution

Growth of pressure towards “like-for-like” recycling solutions

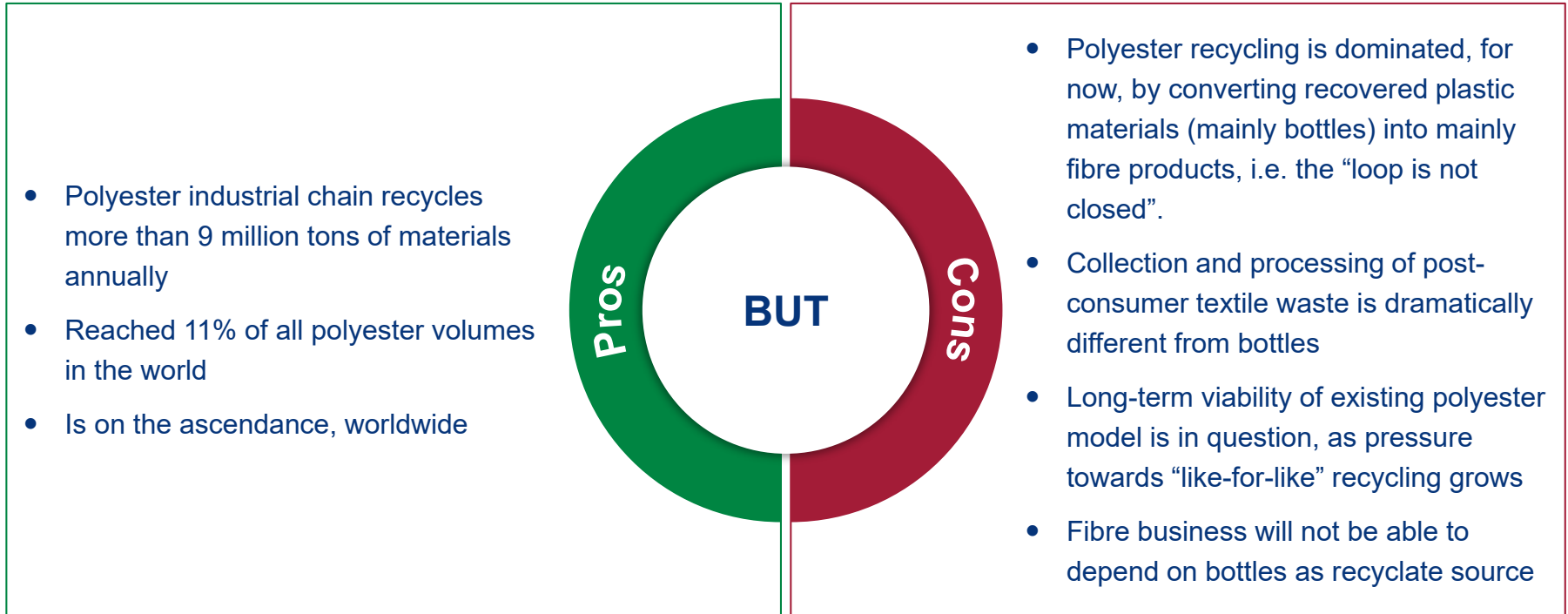
Does combination of at least two items could give an acceptable compromise?

***Bio-sourcing alone is not seen as an acceptable solution because it does not tackle the textile waste problem***



# 60 million tons a year of textiles are discarded

Is existing polyester recycling model a solution for global synthetic fibre industry?





# Some Recycling Targets – what does it mean?

## 2020 - 2030: The Bottle Wars

- rPET demand grows 3x from 2018 for bottles only
- Bottlers will begin reserving rPET supply to meet government and brand needs
- PET resin producers will need to expand rPET footprint and rationalize old vPET capacity
- rPET premium – 10 c/lb over virgin now



- Fibers will not be able to depend on bottles as a recyclate source
- New, closed-loop fiber recycling systems needed

## **4. Wood Mackenzie Fibre Service**

# Fibres Services

- **Fibres Global Monthly Market**
- **Technical Fibres Global Monthly Market**
- **Synthetic Fibres Index**
- **Global supply demand report**
- **Bespoke reports and studies**
- **2020 Global Specialty Reports**
  - » Spandex
  - » Airbag – Polyester and Nylon
- **2019 Global Specialty Reports**
  - » HMLS Tire Cord
  - » Nylon 66 Tire Cord



## SUMMARY

**Raw Materials:** The price of all regional crude oil benchmarks weakened last week, having set a nine-week high the week prior at over \$65/bbl. Dated Brent then fell over \$1.50/bbl last week, which is not as severe as some of the US crudes, with WTI softening by almost \$2/bbl. Crude prices eased amid a rejuvenated risk of a trade war between the US and China. Brent rallied this week rising to US\$70/bbl on Tuesday.

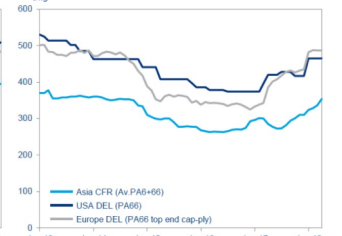
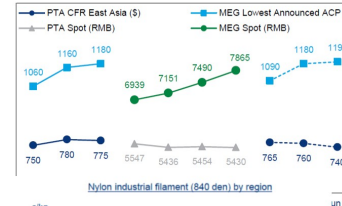
**Fibre Markets:** Chinese PSF exporters dropped prices -1 c/kg in an attempt to stimulate business and compensate for the weaker than expected market at home. Demand for textile filament is good in both the China domestic and export markets and DTY is up +1 c/kg. In China many spinners and weavers purchased more than their needs in anticipation of higher raw material costs.

**rPET:** Recycled flake prices, staple grade, hot water washed, are down -RMB100/ton on last week to RMB6,400-6,500/ton. In China domestic markets rPSF solid and hollow are down on weaker virgin PSF and competition from imported product. In other Asia markets rPSF prices are stable but business is weaker. Buyers are concerned that rPSF is too close to virgin product and some are considering a gradual change to virgin in some of their lines.

**Cotton:** International cotton prices initially fell last week as commodities felt the full impact of speculators taking short adverse positions on fears of a trade war between the US and China. Cotton is among the list of US imports that China has weak oil shipment

## PTA & MEG RMB/t + \$/t

PTA slipped to RMB5,430/t on Monday as a key producer took to the sidelines. CFR China prices inched up to \$765-770/t but with little or no business. MEG bullishness spread and spot and import numbers advanced to RMB7,865/t and \$1,002/t. The buying spree drew imported material from major ports. Estimated inventory drawdown reached 72 kt week-on-week.

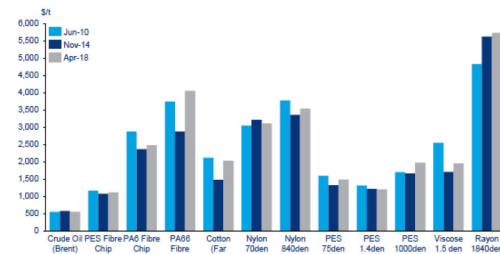


growing market/jabber about oil prices moving back to \$100/bbl in the near future. (For the record, Wood Mackenzie is forecasting crude prices to strengthen marginally over the coming months, before gradually falling back to the high-50s over the following 12 months. We then expect prices to increase progressively over the coming years, ultimately reaching \$80/bbl by 2022).

But this Leader is not a treatise on forecasting oil prices. Rather it is about the implications for the global fibres industry if oil prices do now move higher again. To put this in context, the chart below compares a number of key fibre-related prices for Asia for June 2010, November 2014 and now, i.e. the last three times that Brent was \$75/bbl.

growing market/jabber about oil prices moving back to \$100/bbl in the near future. (For the record, Wood Mackenzie is forecasting crude prices to strengthen marginally over the coming months, before gradually falling back to the high-50s over the following 12 months. We then expect prices to increase progressively over the coming years, ultimately reaching \$80/bbl by 2022).

Comparison of key fibre-related prices @ \$75/bbl oil





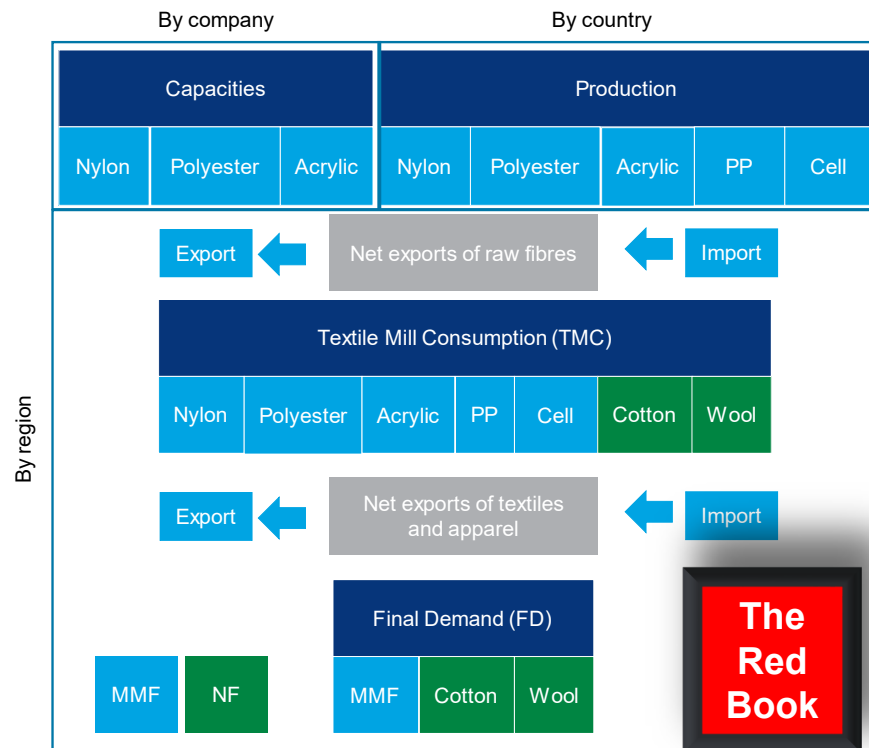
# Annual Fibres Global Supply Demand Report

## Overview

Explore and evaluate trends and growth opportunities in the global fibres industry with our comprehensive overview of supply and demand trends in this annual **Global Supply Demand Analytics Service**. Whether you are a business analyst, marketing director, sourcing executive or product manager, use our detailed database to understand where growth opportunities lie and to compare the outlook for different fibre types.

## Data provided (1990-2030):

- Production by country for acrylic, nylon, polyester and by region for polypropylene, cellulose
- Capacities by company per country for nylon, polyester and acrylic.
- TMC by region for MMF, cotton and wool (PP break before 2005)
- FD by region for MMF, cotton and wool (2007 onwards)







**Q&A**





# Alexei Sinitsa

## Fibres consultant | Wood Mackenzie Chemicals

### Biography

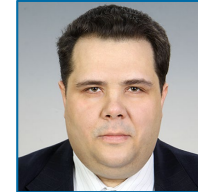
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Dr Alexei Sinitsa joined Wood Mackenzie in 2018, following more than 20 years experience in the chemicals industry. His industrial career began with Rhône-Poulenc/Rhodia, spanning technical, commercial, executive and consulting roles in the nylon chain, including intermediates, polymers, fibres and downstream applications.

Alexei now leads the European fibres contribution to the Wood Mackenzie monthly Global Fibres Report covering nylon, polyester and other synthetic fibre businesses. He has significant experience across a range of international markets, focusing on West, Central and Eastern European markets in particular.

He graduated in Organic Chemistry with honours from Kiev University, and did his doctoral research with the Institute of Organic Chemistry, National Academy of Sciences of Ukraine.

### Connect with Alexei



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