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For Immediate Release

## NORMAL PARAFFIN CAPACITY DECLINES AS DEMAND GROWS

*The merchant marketplace for normal paraffins will be distressed with ExxonMobil's expected exit from the business in 2009, as customers anticipate Pearl, Shell's Gas-to-Liquids project in Qatar, starting up around mid-2010 or later. Sasol and CEPESA will remain the largest n-paraffin producers worldwide, feeding captive requirements on three continents. Developing markets will see demand for normal paraffins rise by strong growth rates.*

Brewster, NY - March 13, 2009 – Worldwide, the normal paraffin market is realigning in a period of consolidation. Consumption of normal paraffins is expected to grow at an average annual rate of 1.1 percent, from 3.1 million tons in 2007 to 3.4 million tons in 2017, according to a new study from Colin A. Houston & Associates, Inc. (CAHA), a consulting firm in Brewster, NY.

Normal paraffins (n-paraffins) are the major feedstock for linear alkylbenzene, a surfactant intermediate used in the manufacture of detergents, which consumed over 76 percent of the world's n-paraffin production in 2008. Other important end uses include oilfield chemicals, rolling oils, chlorinated paraffins and solvents. These are among the findings of a new multiclient study, entitled *Normal Paraffins - World Markets 2007 - 2017*, just completed by CAHA.

Strong growth in East Europe and the Middle East/Africa regions will balance out declining demand in mature regions. Global n-paraffin consumption is forecast to grow at an average of just 0.5 percent per year from 2007 to 2012, but

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CAHA expects growth to pick up to 1.7 percent per year from 2012 to 2017. Demand peaked in 2007 after a period of healthy growth from 2002. Usage in some applications has currently plateaued but declined in others over the past two years.

Overcapacity has driven rationalization in n-paraffin outlets and production. The closure of 220,000 tons/year of n-paraffin capacity in West Europe by Sasol at the end of 2007 is expected to be followed by an even larger capacity rationalization in North America, as U.S.- based ExxonMobil exits the n-paraffin business by the end by 2009.

Normal paraffins are primarily extracted from kerosene, but can also be produced from Fischer-Tropsch derived product streams at gas-to-liquids (GTL) plants. Shell's massive Pearl GTL project in Qatar, will include two 130,000 ton/year n-paraffin units, one due on stream by 2011 and the second a year later. Earlier in this decade, a number of other GTL projects were under consideration, and several were expected to include n-paraffin production. But most of these GTL projects have been postponed or cancelled, and GTL paraffins are no longer expected to flood the market.

"Capacity for n-paraffin production isn't expected to recover from ExxonMobil's closure in 2009 until Shell opens its new GTL plant in Qatar," says Joel Houston, CAHA President. "As one of the world's largest producers and the only merchant supplier in North America exits the business, supply options will remain tight over the next two years, until the market can become balanced again."

Normal paraffins are produced and consumed in all main regions of the world, and most of the producers are either back-integrated, with captive kerosene, or forward-integrated into the production of LAB or other derivatives. Leading global and

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industry players include Sasol and CEPESA in West Europe; ExxonMobil in the U.S.; and Isu in Asia. All of the existing and planned new producers are profiled in CAHA's study. CAHA's new study also includes an analysis of the merchant market, which is expected to be driven by a developing abundance of merchant supplies in the Middle East. Heavy and light cut markets are detailed as part of the supply/demand analysis.

For more information, please visit:

[http://www.colinhouston.com/files/Normal\\_Paraffins\\_World\\_Markets\\_2007\\_2017.pdf](http://www.colinhouston.com/files/Normal_Paraffins_World_Markets_2007_2017.pdf)

Other CAHA publications include *Detergent Alkylates, World Markets, 2006-2016*; *Higher Alcohols Forecast to 2020*; and CAHA's newsletters *The LAB Market Report*, *Surfactant Developments Newsletter*, *Alpha-Olefin Update*, and *Agglomerations: The International Detergent Newsletter*. CAHA is an international, technical consulting firm, specializing in the surfactant chemical marketplace. Since 1971, hundreds of proprietary and multiclient studies have been conducted for the petrochemical and oleo-chemical industries. Details of CAHA's publications are available at: [www.colinhouston.com](http://www.colinhouston.com) or by contacting Colin A. Houston & Associates, Inc., phone: 845 279-7891 or email: [marketing@colinhouston.com](mailto:marketing@colinhouston.com).

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