

China Energy Futures Seminar

10th September 2025
Singapore

LSEG



Welcome to LSEG

Opening

By Victor Rubtsov, APAC Commodities & Corporates Sales Director

LSEG



Crude Markets at Crossroads

Emril Jamil, Senior Research Specialist, Oil
LSEG Commodities Research

Singapore, 10th September 2025

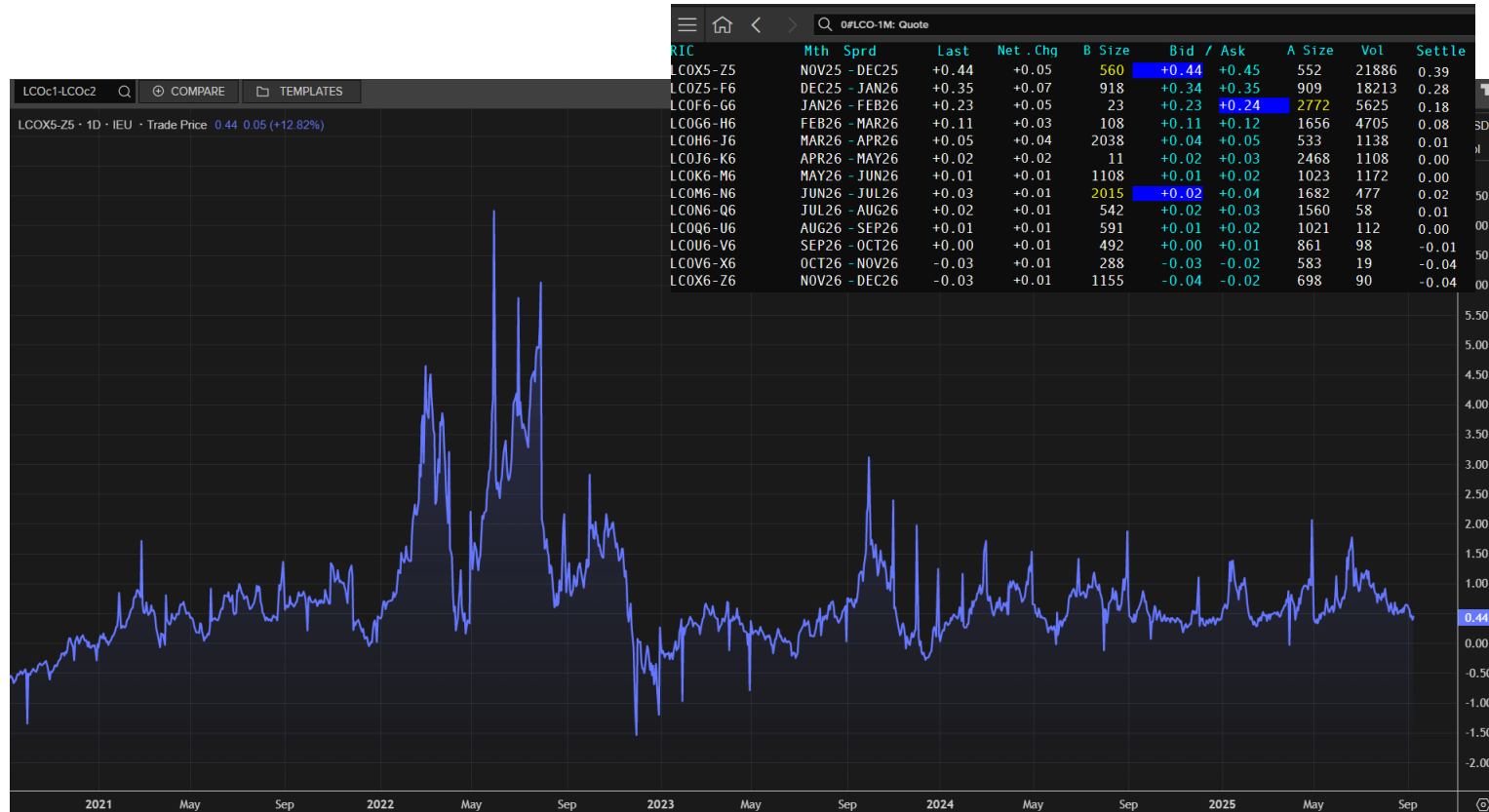
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Agenda

1. Inventory – Is there space?
2. Backwardation or Contango
3. WTI - Brent
4. Q&A

Backwardation in Slow Erosion



Inter-month spreads slow erosion and range-bound

Can we carry in this market given the current spreads?

Or marginal storage economics have or will become expensive?

Driving factor? Spread or Price levels?

Back-end

The ICE Brent Jan26-Jun26 resilient to recent OPEC announcement

RIC	Mth	Sprd	Last	Net . Chg	B Size	Bid / Ask	A Size	Vol	Settle	Time
LC0X5-J6	NOV25	-APR26	+0.99	+0.10	10	+0.99 +1.00	15	35	0.89	12:53
LC0Z5-K6	DEC25	-MAY26	+0.60	+0.06	42	+0.62 +0.64	130	21	0.54	10:54
LC0F6-M6	JAN26	-JUN26	+0.31	+0.05	186	+0.32 +0.34	32	27	0.26	12:07



Northeast Asia Crude Stocks

South Korea

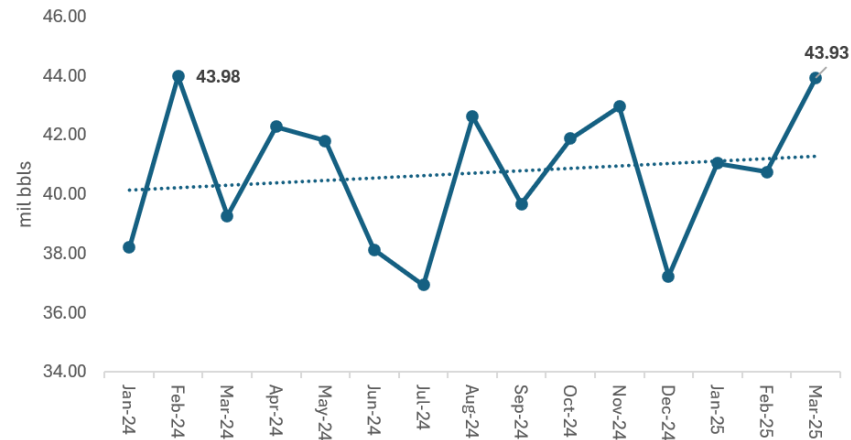
Strategic crude stocks to surpass target of 100 mln barrels

National Stockpile: ~97 million barrels (end-Sep 2024)

National Stockpile: ~99 million barrels (end-Aug 2025)

Stocks Held by Importers and Refiners

Source: Ministry of Trade, Industry and Energy



Source: Petronet and Market Sources

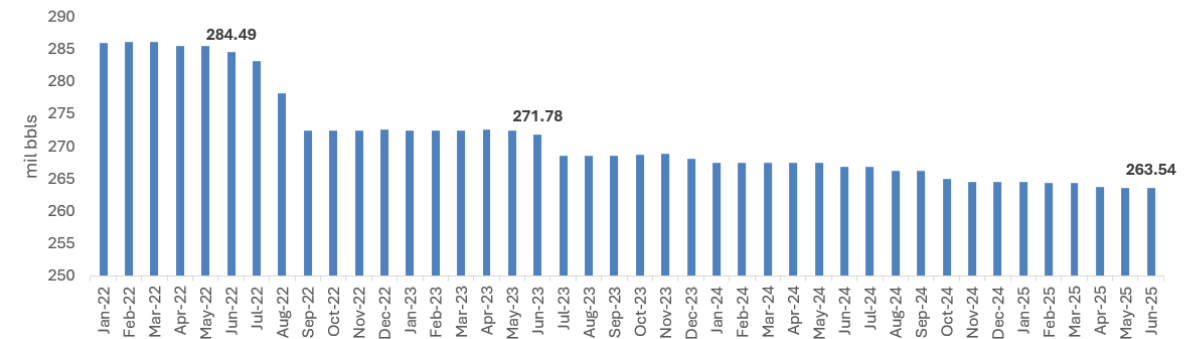
Petronet: Monthly crude oil inventory data (stocks held by importers and refiners)

Japan

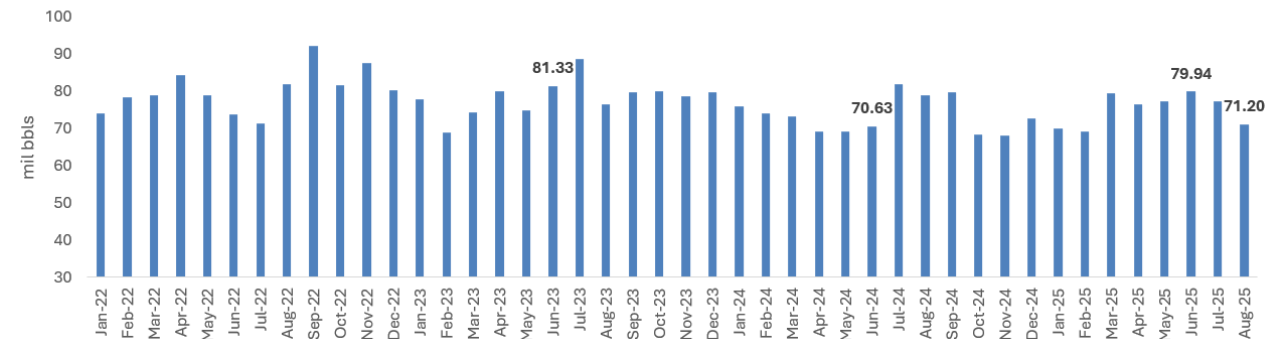
Strategic crude stocks held has shifted lower

Strategic Stockpile: ~263.5 million barrels (end-June 2025)

Strategic Stocks



Crude Stocks Held by Private



Northeast Asia Crude Stocks

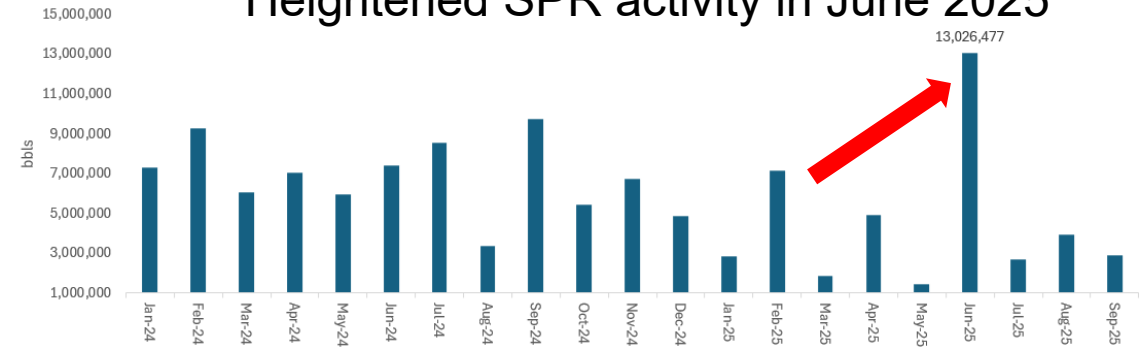
China Strategic crude stocks estimated at 350 – 355 million barrels (as of August 2025)

* LSEG estimates

- **Huizhou** was predominant receiver in June 2025
- Jan – Sep 2024: 64.59 million barrels
- Jan – Sep 2025: 40.54 million barrels
- Q4 2024: 17.05 million barrels
- Q4 2025: 2.85 million barrels (as of Sep 2025)
- Sweet Spot : \$60-\$65/bbl

Saudi term crude supplies to Asia are priced as a differential to the Oman/Dubai average:			
	October	September	CHANGE
EXTRA LIGHT	\$2.50	\$3.50	-\$1.00
LIGHT	\$2.20	\$3.20	-\$1.00
MEDIUM	\$1.75	\$2.65	-\$0.90
HEAVY	\$0.40	\$1.30	-\$0.90

Heightened SPR activity in June 2025



EU-16 crude stock levels well-below last 3 years



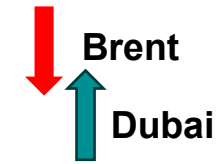
WTI - Brent

- Wider discounts provides impetus for workable arbitrage economics to Europe and Asia

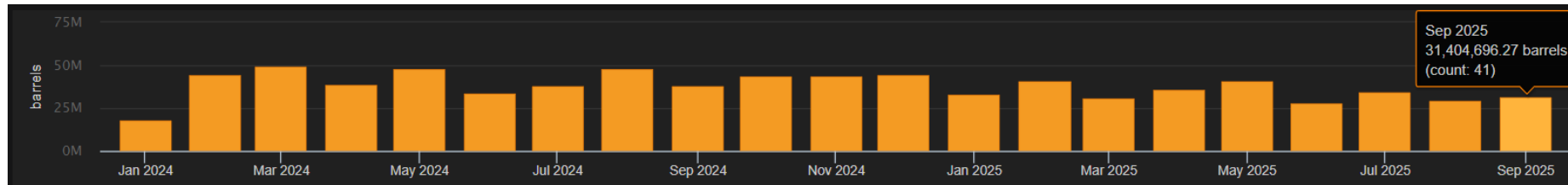


WTI - Brent

- Dated pricing will have to accommodate more US crudes to Europe



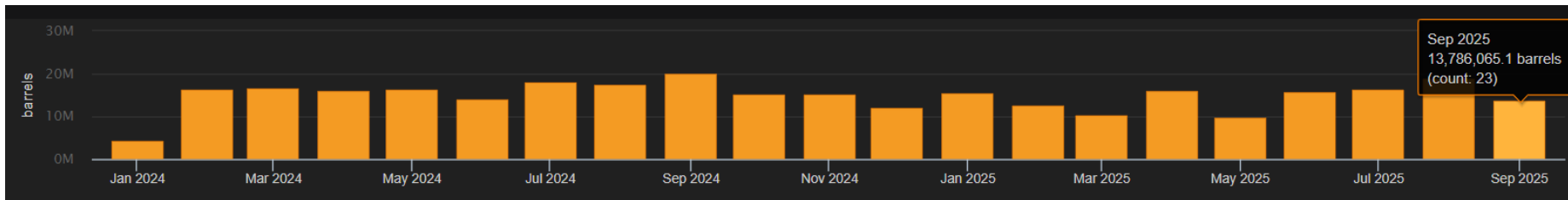
CORPORATE



Early October WTI FOB basis Rotterdam valued at Dated plus 38-41 cents/bbl

Forties (mid-Sep) at discount to Dated (valued) at \$1.18-\$1.23/bbl

Fundamentals are **constructive** to support cracks



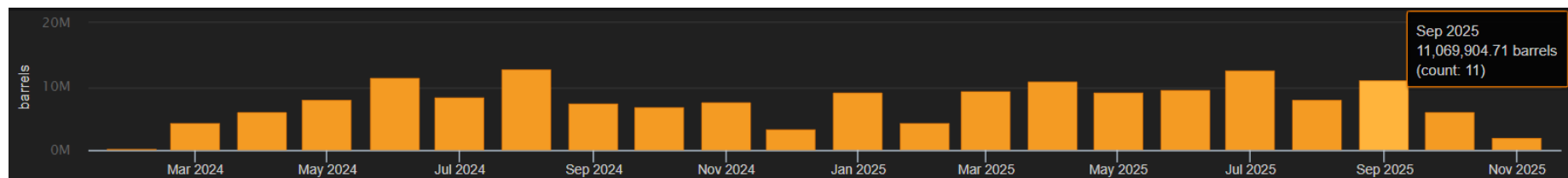
Europe
> 700 kbpd

Shell Pernis (mid-Sep): 404 kbpd
Antwerp: 340 kbpd



Middle East
> 700 kbpd

SATORP: 460 kbpd
Mina Abdullah: 490kbpd



Temperature

Shaped by a weakening El Niño (transitioning toward neutral).

Below average snowfall, expected warm start in December 2025

After December, winter pattern expected to reverse

Conclusion:

1. Storage capacity ample to absorb expected excess
2. Demand resilient based on current fundamentals; term structure softer
3. Market to test Levels as new information are realised
4. Downside: \$60/bbl; mid-term range: \$64-\$63/bbl



Thank you

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US Tariff Impact on Asia Petrochemicals: Challenges and Opportunities

Sok Peng Chua, Research Lead, Petrochemicals
LSEG Commodities Research

Singapore, 10th September 2025

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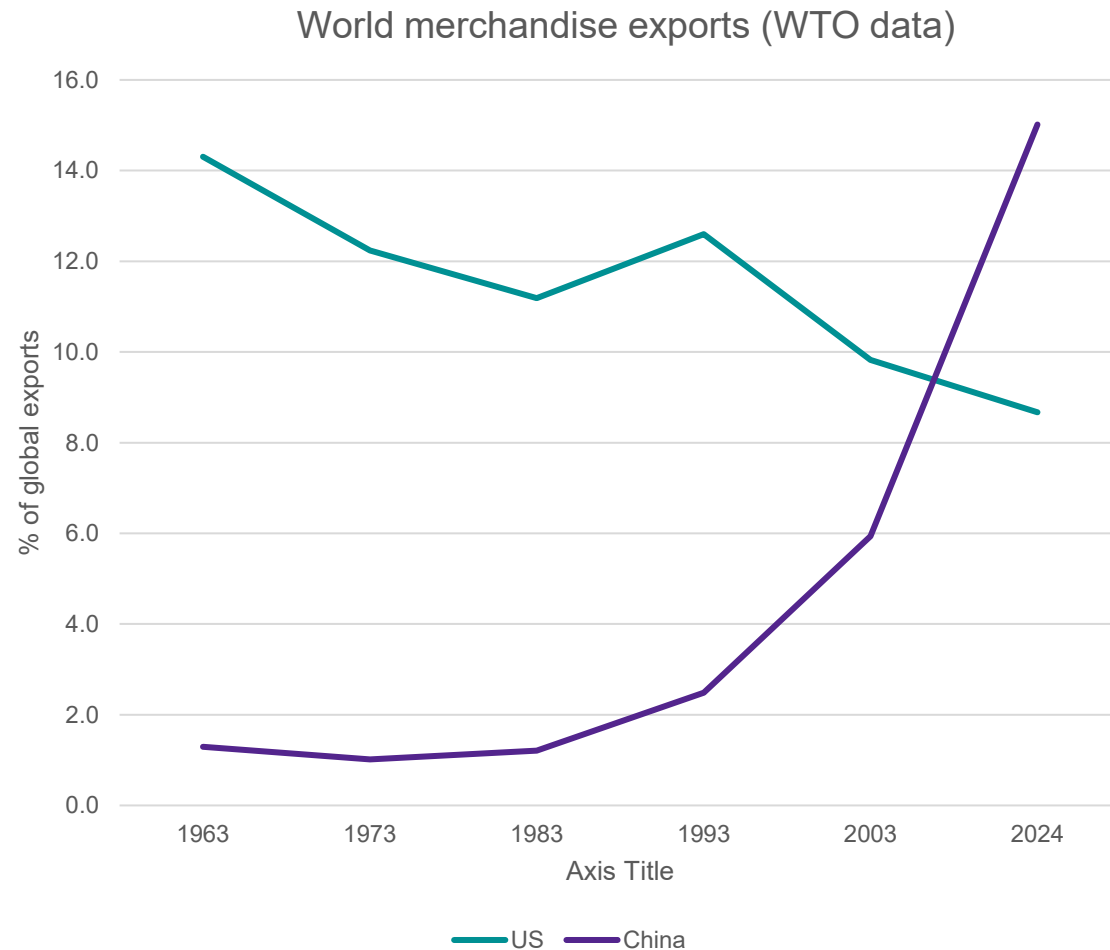


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- 1. Overview of US tariffs**
2. Impact on trading partners
3. Restructuring of Petrochemical sectors
4. Q&A

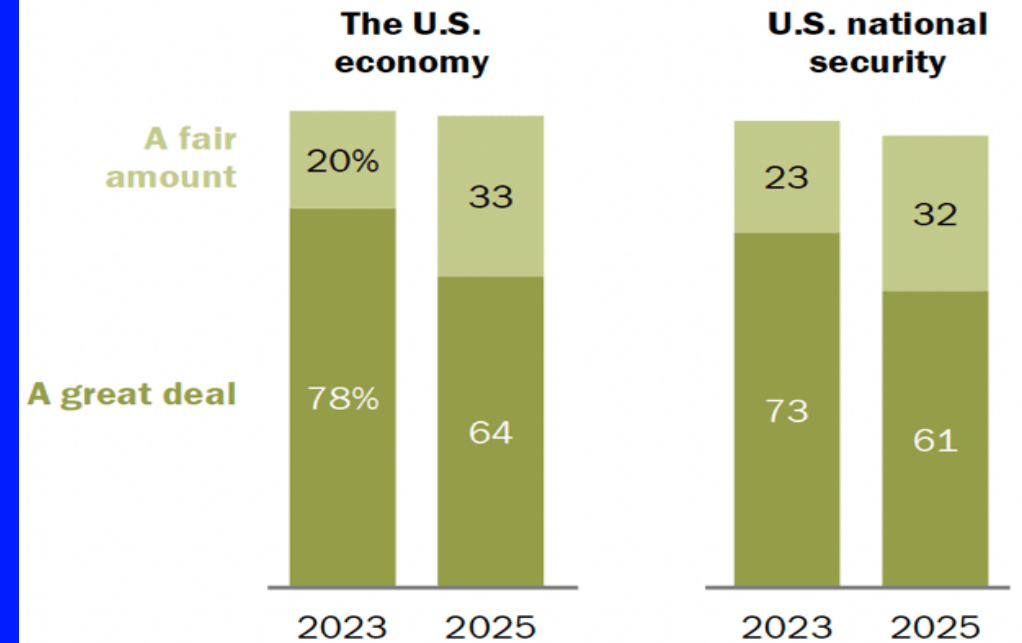
Objectives of Trump's global trade war:

Reassert US economic dominance,
rebalance trade deficits, targeting mainly
China



Americans who see China as top threat see the country as both a security and economic threat

Among those who name China as the country posing the greatest threat to the U.S., % who say China poses ___ of threat to ...



Note: Respondents were asked to consider the country they had just named as the top threat to the U.S. in an open-ended question. Those who named other countries are not shown.

Source: Survey of U.S. adults conducted March 24-30, 2025.
"Negative Views of China Have Softened Slightly Among Americans"

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Temporary truce with China, punishment for India, no leeway for military alliances (Japan, South Korea)

US tariffs on Asian trade partners	Current rate	Previous rate
China	30%*	125%
India	50%	26%
South Korea	15%	25%
Japan	15%	24%
Indonesia	19%	32%
* Tariff truce until Nov 10		

Trump's tariffs have led to political realignment. BRICS economies, representing over 55% of global population and accounting for 37% of global GDP, are showing resistance. Brazil (50%), South Africa (30%) are seeking alternate markets, Russia (10%) remains nonchalant. India refuses to yield despite punitive tariffs, China has called for unity to stand against US unilateralism, South Africa (30%)

De-dollarization in commodity markets, led by BRICS

2009: BRICS established. By 2025, BRICS 20 accounted for 44% of global economy.

2015: Sets up New Development Bank. By 2023, NDB has approved over \$30 billion in funding for infrastructure and sustainable development projects across BRICS nations, with approximately 30% of these funds disbursed in non-dollar currencies.

2022: Russia-Ukraine war: US/Western sanctions led to growing proportion of energy being priced in non-US dollar denominated contracts. China, India are using alternatives to the dollar. Saudi Arabia is also considering adding yuan-denominated futures contracts in the pricing model of Saudi Arabian oil.

De-dollarization a boon for emerging economies, insulating them from external influences and bolster economic sovereignty.

China's yuan-denominated exports rose 4.8% year-on-year in August, while imports grew 1.7%

What is eroding the dollar's status:

Loss of confidence in US as a world leader

Loss of confidence in US assets

Rise in credibility of alternative power: China

Fundamentally, de-dollarization could shift the balance of power among countries, reshape the global economy and markets.

Influence of IMF, World Bank would be eroded, sparking reforms for global financial institutions to become more diversified

The impact would be most acutely felt in the U.S., where de-dollarization would likely lead to a broad depreciation and underperformance of US financial assets versus the rest of the world.

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China: Well-prepared for trade war

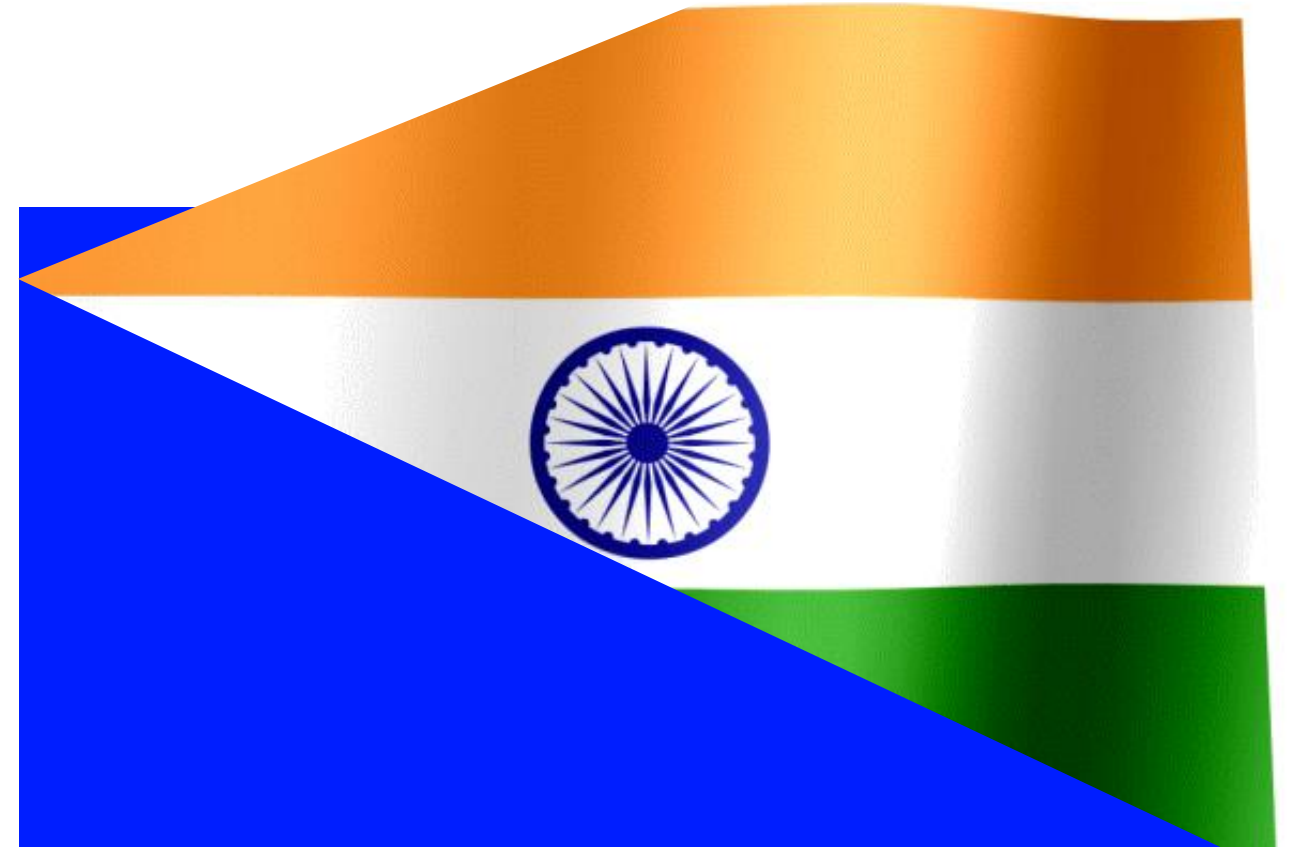
30% tariff, down from 145%

- Tariff truce extended to Nov 10. to prevent economic disruptions during critical holiday trade season.
- China is the only country that negotiated with the US outside of America, showing its deft diplomatic skills and single-mindedness, insisting that it is willing to negotiate on equal terms but will also see the tariff war to its end.
- China has been rallying other countries to stand up to US "unilateral bullying" in bilingual video release "China won't kneel".
- China is well prepared for this trade war, unlike the US. Export control on rare earths – a much-needed component for building military hardware – exposes US vulnerability.
- Immediately diversifies LPG, ethane suppliers, increases trade with Iran, Russia.
- Increases trade with Southeast Asia neighbours, steps up regional leadership.

India: Defiant on Russian oil

50% tariff, up from 26%

- Includes 25% penalty for India's refusal to stop buying Russian oil. New Delhi says affordable Russian oil critical to meet energy needs of its vast population.
- Labour intensive sectors such as textiles, jewellery, seafood hardest hit. Nearly 55% of Indian exports to the US, worth about \$48 billion, now face a cost disadvantage against Vietnam, China and Bangladesh.
- India reaffirms relations with China and Russia at recent Shanghai Cooperation Organisation (SCO) summit
- "Either support the dollar, support the United States of America, support your biggest client - who's the American consumer - or, I guess you're going to pay a 50% tariff. And let's see how long this lasts." US Commerce Secretary Howard Lutnick predicted India will come back in one or two months, apologize to Trump and seek a trade deal.



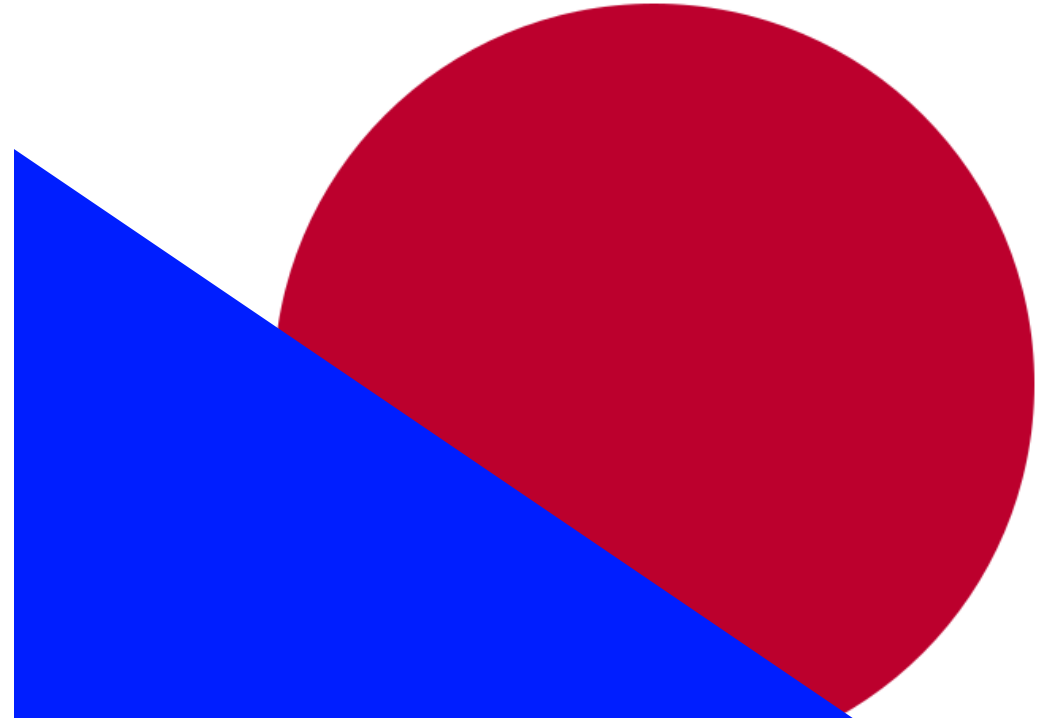
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Japan: Invests \$550 billion in US

15% tariff, down from 24%

Key terms:

- Japan will invest \$550 billion directed by the United States to rebuild and expand core American industries, in projects selected by President Trump.
- US will retain 90% of the profits from this investment.
- Japan will make stable and long-term incremental purchases of US energy, including liquified natural gas, totalling \$7 billion per year.
- Both sides are exploring a new offtake agreement for Alaskan liquefied natural gas (LNG).
- "They are going to meet capital calls in America, they are going to give America money when we ask for it, to build the projects," US Commerce Secretary Howard Lutnick said on CNBC. "How do they plan to fund it? You know, that's their business, of course."
- Prime minister Shigeru Ishiba steps down after electoral loss



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South Korea: Invests \$350 billion in US

15% tariff, down from 25%

Key terms:

- South Korea will invest \$350 billion in assets owned and controlled by the United States, and selected by Trump.
- South Korea will purchase \$100 billion in energy products.
- Adopt “completely open trade policy” by eliminating tariffs on US goods.
- US will retain 90% of the profits from this investment.



Moving forward: Are US tariffs legal?

- Court of appeals deem most of Trump's tariffs illegal, especially those imposed under the International Emergency Economic Powers Act (IEEPA).
- Democrats "will force votes" in the coming weeks in an effort to reverse President Donald Trump's import tariffs.
- Trump asked US Supreme Court to validate his tariffs. "With tariffs, we are a rich nation; without tariffs, we are a poor nation" – according to appeal document.
- For now, tariffs stay.



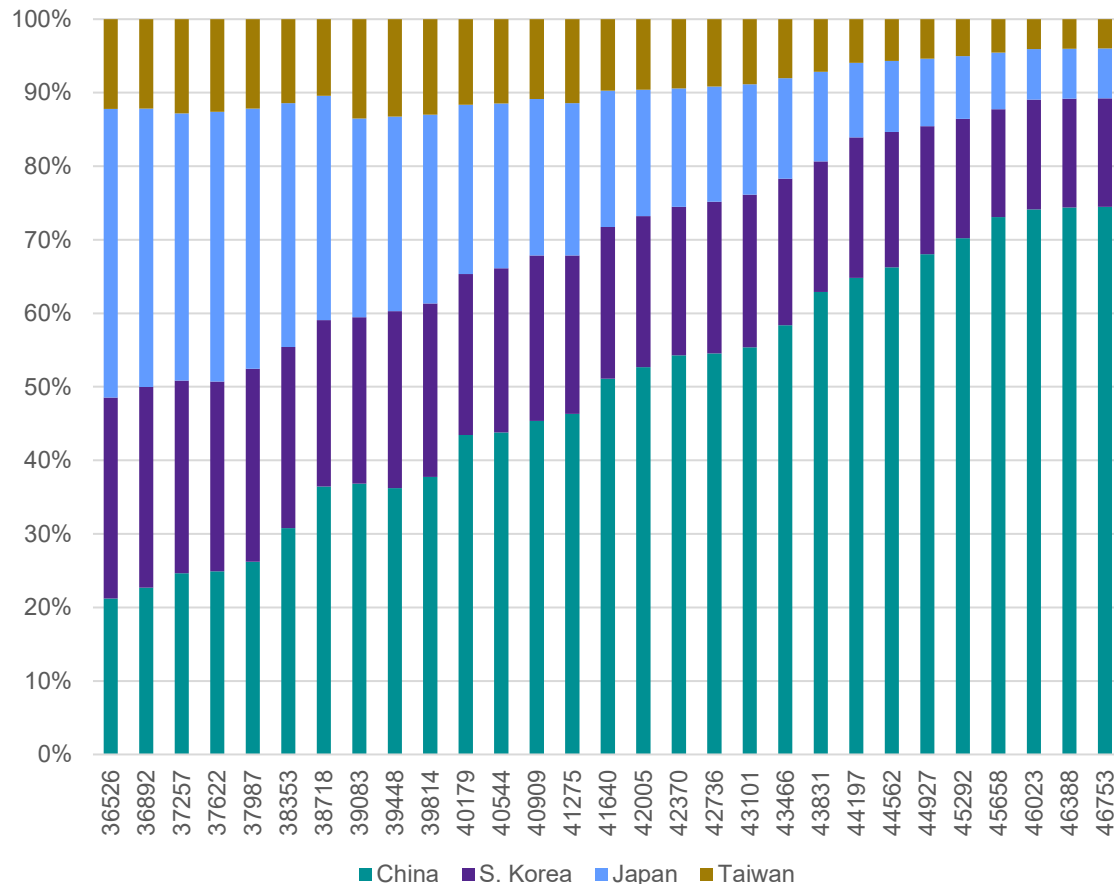
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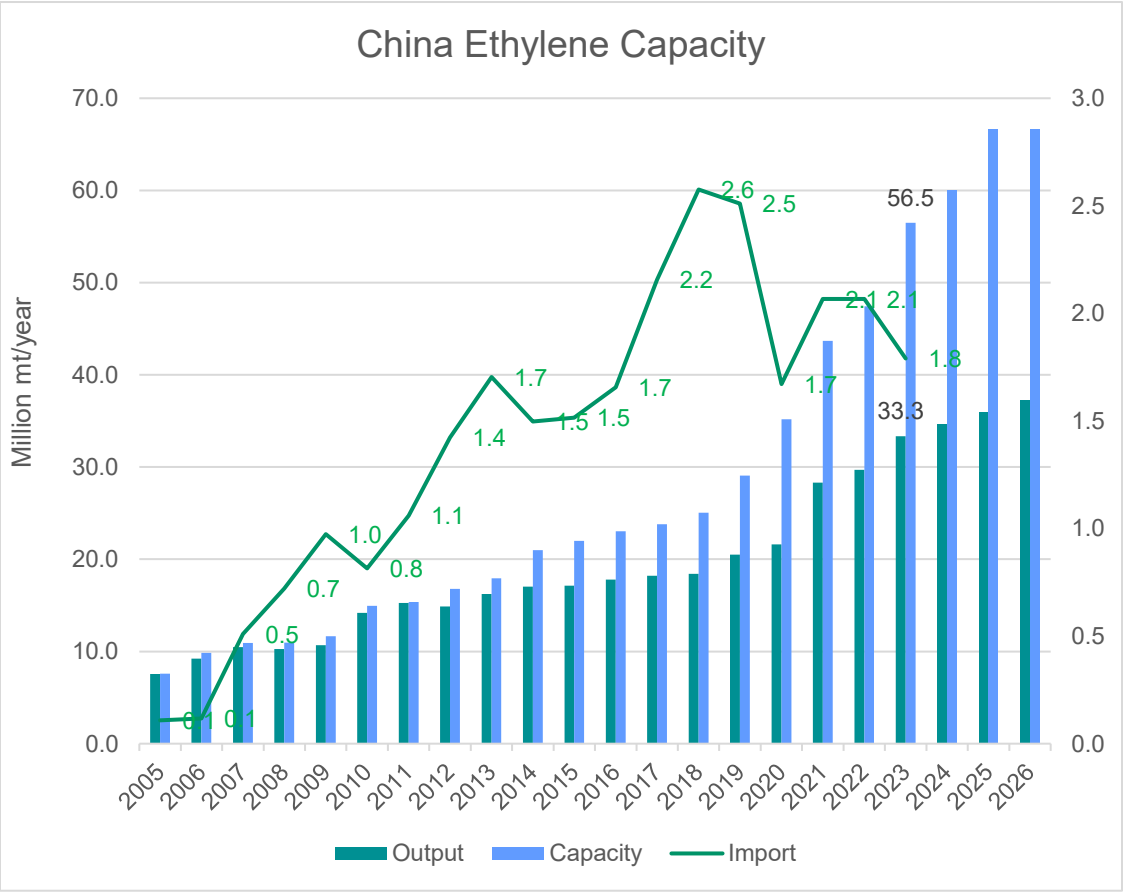
China dominates with rising ethylene capacity, new technology, alternate processes

NEA ethylene capacity



- Over the past 20 years, China has increased its ethylene capacity, shifting from a price taker to a price maker.
- Capacities have also surged since the adoption of crude oil to chemical technology, with new crackers now at least 1 million t/yr. There is also the emergence of coal to olefins, methanol to olefins
- Over in Japan and Taiwan, we see capacities stagnating and even decreasing due to lack of investment and competition from newer crackers using cheaper feedstocks. Aging crackers in Japan and Taiwan lack economies of scale and a shrinking domestic market does not support demand. Facing high conversion costs when margins are in the red, these crackers are in danger of being phased out.
- S. Korea, on the other hand, has the Shaheen COTC project with a 1.8 million mt/year of ethylene slated to come onstream in H1 2026.
- S. Korea to reduce ethylene output by 18-25% per year. Restructure idue to rising Chinese capacity, falling margins. The government has asked for companies to submit self-rescue plans by end of 2025 in order to qualify for government aid.

China's Excess Capacity



China to restructure its petrochemical industry. Details expected by end September.

Petrochemical facilities older than 20 years will be phased out. This represents 40% of total industry. For ethylene capacities over 20years account for less than 15% or 7million t, mostly belonging to state-owned Sinopec and PetroChina.

Ethylene output expected to be reduced by 13% and propylene output by 15%.

China deepens ties with Global South, US imposes 40% transshipment tariffs

Transshipment: Rerouting China-made goods through a third party to avoid high tariffs.

Rise in China's exports to ASEAN countries matches rise in ASEAN exports to US

Malaysia: No longer allow non-government agencies to issue certificates of origin

Vietnam: agrees to 40% transshipment tariff

Many Chinese factories have moved to Vietnam. China produces the parts, Vietnam assembles the parts, and ship out finished products as made in Vietnam.

With transshipment tax, US hopes to disrupt China's dominant role in global supply chain.



Thank you

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