

COLIN A. HOUSTON & ASSOCIATES, INC.
20 Milltown Road, Suite 206
Brewster, NY 10509
Fax: 845-279-7751
<http://www.colin-houston.com>

Contact:
Joel H. Houston
845-279-7891

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NORMAL PARAFFIN MARKET FACING NEW CHALLENGES

Worldwide consumption of normal paraffins is expected to grow at an average annual rate of 3 percent, from 2.4 million tons in 2000 to 3.2 million tons in 2010, according to a new study from Colin A. Houston & Associates, Inc. (CAHA), a consulting firm in Brewster, NY. After four years of tight supplies that drove prices to levels not seen since the early 1990s, the n-paraffin market is coming into balance, but if all the planned new plants and expansions proceed, n-paraffin capacity could greatly exceed demand after 2005. These are among the findings of a new multi-client study, entitled *Normal Paraffins - World Markets 2000 - 2010*, just released by CAHA.

The n-paraffin market is facing two unprecedented developments: the potential for large new production associated with gas-to-liquids (GTL) projects, and a modified version of linear alkylbenzene developed by Procter & Gamble that could radically impact the use of n-paraffins.

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GTL projects primarily designed to produce liquid fuels from natural gas or coal via Fischer-Tropsch (F-T) technologies can also produce non-fuel hydrocarbon products including n-paraffins. Over two dozen GTL projects are planned worldwide over the next decade, and they offer the possibility of nearly five million tons per year of additional normal paraffins by 2010. Not all of these projects will proceed, and of the ones that do, only a limited number will produce normal paraffins. However, "F-T producers can clearly overwhelm chemical markets with by-product materials. If F-T producers are interested in the potential profitability of chemical markets, they must become highly selective to insure that they enter markets that can stand up to their impact," says Joel Houston, CAHA President.

The modified linear alkylbenzene sulfonate (MLAS) being promoted by Procter & Gamble reduces surfactant requirements in detergent products, but offers advantages to potential producers in terms of feedstock efficiencies. MLAS could develop into a significant competitor to conventional linear alkylbenzene sulfonate (LABS), the largest market for normal paraffins.

Normal paraffins are produced and consumed in every region 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. The largest producers include Sasol and Petresa in West Europe; ExxonMobil in the U.S.; and Isu in Korea. All of the existing and planned new producers are profiled in CAHA's study, including potential GTL

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producers. The study forecasts production by region and provides a scenario for the production of GTL paraffins.

The study also quantifies and forecasts n-paraffin consumption by end use. Linear alkylbenzene (LAB) is the most important outlet for normal paraffins, accounting for over 70 percent of the world's total normal paraffin consumption. Other end uses include secondary alcohols, internal olefins, chlorinated paraffins, paraffin sulfonates, oilfield chemicals, rolling oils, and miscellaneous others. These are all detailed in CAHA's study, which also includes profiles of customers by end use and by region.

A separate chapter analyzes and forecasts the supply/demand picture to 2010 for North America, Latin America, West Europe, Asia, East Europe, and the Middle East/Africa region. The impact of GTL paraffins is considered, and a discussion of pricing includes historical data and a price forecast.

Other CAHA publications include *Alpha-Olefins, World Markets 2000-2010*; *Detergent Alkylates, World Markets, 1995-2010*; and CAHA's bimonthly newsletters *The LAB Market Report*, *Alpha-Olefin Update*, and *Agglomerations: The International Detergent Newsletter*. Details of CAHA's publications are available at: www.colin-houston.com or by contacting Colin A. Houston & Associates, Inc., phone: 845 279-7891 or email: marketing@colinhouston.com.