

# Plastics industry braces for pricing, supply chain problems due to Ukraine conflict



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Firefighters work at the site of a residential building in Kyiv, Ukraine, damaged in a Feb. 25 attack.

Materials firms are seeking exits from some business in Russia while industry watchers are warning of higher resin prices as a result of the ongoing attack on Ukraine.

Plastics industry veteran Peter Schmitt said that as a result of the crisis, pricing for plastic raw materials "will continue to skyrocket." Schmitt is managing director at Montesino Associates LLC in Wilmington, Del.

"The oil and gas increases will damage producer margins as they desperately try and pass cost increases through to customers, and the elevated pricing will damage demand," he said in an email.

"If natural gas gets tight, it will create challenges for polymer production in Europe. Then one polymer alternative, aluminum, is already extremely tight, not to mention other minerals such as magnesium. None of this bodes well for the [hopefully] post-COVID supply chain."

Russian forces invaded Ukraine Feb. 23, and while their progress has been slower than initially expected, they have taken over some major cities.

Ukraine exports about 1.9 billion pounds per year of benzene — a feedstock used to make styrene monomer — and more than 1.6 billion pounds of PVC resin, according to the ICIS Supply & Demand Database. The country also imports more than 1.4 billion pounds of polypropylene resin and more than 1 billion pounds of PET per year.

Russia exports about 2 billion pounds of high density polyethylene and PP each year, according to ICIS. That nation also imports about 1.5 billion pounds each of HDPE and purified terephthalic acid (PTA), a feedstock used to make PET.

West Texas intermediate oil prices were near \$113 per barrel in early trading March 4, up almost 23 percent since the Russian attack began. U.S. natural gas prices had bounced around and were up only about 2 percent in the same time frame as of March 3. The Dow Jones Industrial Average also had moved around but was roughly flat in the same comparison.

Higher oil and natural gas prices could have a macro effect on resin prices. Commodity resin prices that had been on an upward run since the start of the COVID-19 pandemic in early 2020 had finally started to come down in late 2021. The Ukraine crisis could change that trend.



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A civilian militia member stands guard in front of a base in downtown Kyiv on Feb. 25.

LyondellBasell Industries said it will turn down new business opportunities with Russian state-owned entities, and plans to discontinue existing business with those entities as well.

Houston-based LyondellBasell also is donating 200,000 euros (\$220,000) to relief efforts in Ukraine.

"We are closely monitoring the Russia-Ukraine situation as it continues to evolve," officials said in a statement sent to *Plastics News*. "LyondellBasell condemns the unprovoked attacks on Ukraine, and we are taking action to support the humanitarian efforts as a result of this conflict.

"In addition to abiding by all sanctions, effective immediately, LyondellBasell will not enter into any new business transactions or relationships, and to the extent legally possible, intends to discontinue business relationships with Russian state-owned entities. We are in the process of assessing how this will impact our operations, including feedstocks, utilities, supply chain providers, and customers."

Officials added that although LyondellBasell doesn't have operations in Ukraine, the firm has seen the rising number of refugees and dislocated families and is supporting

the humanitarian crisis through its global corporate citizenship program, Advancing Good.

Half of LyondellBasell's donation will go to the United Nations High Commissioner for Refugees to provide shelter, emergency relief items, cash assistance and mental health support. The other half will go to the International Medical Corps to support their mobile medical units programs.

LyondellBasell has operations in more than 100 countries — including Russian offices in Moscow and Togliatti.

Dow Inc. and the Dow Co. Foundation are contributing \$275,000 to help meet humanitarian needs for the people of Ukraine. Officials said this funding will support the International Red Cross Movement through CAF America, with \$25,000 of that amount matching employee contributions.

On a LinkedIn post, Dow Chairman and CEO Jim Fitterling said that "as the Russian invasion of Ukraine unfolds before our eyes, we are putting the safety and needs of our people and partners first, including supporting humanitarian needs to help those who are suffering."

"I am thankful for the resilience and passion of Team Dow to help where needed most," he said. "We stand in solidarity with our team and the people of Ukraine."

## **Shell, BASF, Evonik and DuPont reactions**

LBI is not alone. Other firms with plastics and chemicals businesses have taken action as well.

Oil and gas leader Shell plc said it would exit all its Russian operations, including a major liquefied natural gas plant. The London-based firm said in a statement it will exit the Sakhalin 2 LNG plant in which it holds a 27.5 percent stake, and which is 50 percent owned and operated by Russian gas giant Gazprom.

"We are shocked by the loss of life in Ukraine, which we deplore, resulting from a senseless act of military aggression which threatens European security," Shell CEO Ben van Beurden said in a statement.

Plastics and chemicals giant BASF SE of Ludwigshafen, Germany, has donated 1 million euros (\$1.1 million) for relief efforts to the German Red Cross, which is already working in the Ukraine region.

"The suffering for the civilian population in the country is immense," said Chairman Martin Brudermüller. "We want to help these people and therefore quickly decided to provide this emergency aid."

BASF said the German Red Cross is supporting its sister organization, the Ukrainian Red Cross, in relief efforts, including providing food, clothing and hygiene kits, as well as communication devices such as charging facilities for cell phones.

ExxonMobil Corp. also plans to exit its Russian operations, CEO Darren Woods said on a conference call. The energy giant's ExxonMobil Chemical unit is a major resin supplier.

On a March 3 conference call, officials with plastics and chemicals firm Evonik Industries said that the firm plans to continue selling material to Russia, which accounts for only 1 percent of its sales. Plastics-related products made by Evonik include nylon resins and specialty foams.

CEO Christian Kullmann said Evonik would follow sanctions that have been implemented, which have not covered many chemical products so far.

"In view of sanctions ... we can still do business with Russia [and it] will continue," he added. "These are businesses with feedstock which are needed by the population of Russia and they are not our enemy. That is the Russian regime.

"We will continue to care for and deliver goods to the Russian population to the extent it is allowed," he added.

Officials with plastics and chemicals maker DuPont Co. of Wilmington, Del., said in an email to *Plastics News* that the firm "is closely monitoring" the situation in Ukraine. DuPont employs about 50 in Russia and operates an innovation center in Moscow.

The innovation center hasn't been affected by the crisis, a spokesman said. Employees' safety "and the security of all our colleagues and their families in and outside the region is our highest priority," he added.

## **Beyond materials**

Uponor Corp. a global supplier of plastic pipe and other plumbing products, has decided to suspend all exports and imports to and from Russia until further notice because of the invasion of Ukraine. Finland-based Uponor has a manufacturing facility and sales office in Russia, employing around 90. The firm has four sales employees in Ukraine. Uponor generates less than 2.5 percent of its sales from Ukraine and Russia.



Uponor also has made a donation of 100,000 euros (\$110,000) split equally between UNICEF Finland and the Finnish Red Cross. "We are focusing on the well-being of all our employees as best as we can," President and CEO Michael Rauterkus said. The firm will continue to actively monitor the situation and the development of sanctions and countersanctions, and to comply with all applicable laws, regulations and sanctions.

The conflict is forcing some European automakers to suspend production because suppliers of electrical cables and wire harnesses have plants in Ukraine. German cable maker Leoni AG, with two plants in Ukraine employing some 7,000 workers, said it is intensifying efforts to help offset the disruption in Ukraine by adding capacity at other sites, while prioritizing the safety of its employees. Leoni uses plastics in connectors, wiring and harnesses.

"Logistics in and out of Ukraine are a particular challenge, especially because of the partly chaotic situation at the border points with the EU," a Leoni spokesman said in a statement.

Vehicle production at BMW plants in Munich and in Dingolfing, both Germany, will be paused for a week, as will output at the Mini factory in Oxford, England. Engine production at BMW's engine factory in Steyr, Austria, will also be suspended, *Automotive News Europe*, a sister publication of *Plastics News*, reported.

Canada-based [Magna International Inc.](#) said March 3 is halting its operations in Russia. Magna has six plants and 2,500 employees in Russia.

"Like most in the international community, we remain deeply concerned with the very unfortunate situation in Ukraine," Magna spokeswoman Tracy Fuerst said in a statement. "Given current conditions, Magna is idling its Russian operations."