

Plastics News

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Mailbag: Oil-plastics connection is overstated

Joel Longstreth

Brentwood Plastics Inc.

In response to the story "Report: Plastics won't provide growth curve oil seeks" [Sept. 28, Page 15], I am not bright enough to grasp the premises of all your sources quoted. The executives on the 75th floor of British Petroleum and the self-styled experts can see the big picture better than me.

If plastics derived from oil comes from naphtha, which is a small percent of a barrel of oil, how could plastics be a "pillar" making up 95 percent of demand? Is this from BP or *The Onion*— Specifically, what percent of cars and big rigs will be electric, and when? How many of your sources mentioned natural gas as a feedstock?

As far as I can tell, you did not press the wishful thinking or check out the credibility of the sources. Oh right: It's anathema to challenge anti-plastic rhetoric in any form. Think I don't know what I'm talking about? Search "Is plastic from oil?" with any search engine.

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Inline Play

Source URL: <https://www.plasticsnews.com/mailbag/mailbag-oil-plastics-connection-overstated>

Report: Plastics won't provide growth curve oil seeks

By Karen Laird
Sustainable Plastics

A new report rejects the idea that plastics will be the largest driver of future oil demand. The oil industry, however, is unconvinced, according to "The Future's Not in Plastics," a new report from Carbon Tracker and Systemiq released Sept. 4.

With petrochemical investments aimed at expanding supply for virgin plastics use by a quarter, at a cost of at least \$400 billion in the next five years, the oil industry is staking its future on plastics, the authors write.

"While most commentators have noted that petrochemicals are a major driver of expected oil demand growth, we can go one stage further and demonstrate that it is specifically plastics within petrochemicals that drive the expected growth in oil demand," they note.

British Petroleum, for example, in its "2019 BP Energy Outlook," forecast prior to the emergence of COVID-19 that plastics will make up 95 percent of expected net oil demand growth to 2040. Plastics are also the largest component of expected oil demand growth, accounting for 45 percent of the total, in the scenario of the International Energy Association.

"The Future's Not in Plastics," compiled by independent financial think tank Carbon Tracker and Systemiq, a systems change company, presents an alternative view. The petrochemical industry is already facing record low plastic feedstock prices as a result of overcapacity. With pressure mounting to rein in the use of plastics, virgin plastic de-



British Petroleum, in its "2019 BP Energy Outlook," forecast prior to the emergence of COVID-19 that plastics will make up 95 percent of expected net oil demand growth to 2040. BP plc/Marc Morrison photo

mand growth could shrink from 4 percent per year to less than 1 percent, with demand peaking in 2027, the authors say.

"Five years ago, the oil forecasting industry had four pillars of oil demand growth: cars, trucks, planes and petrochemicals. As electric vehicles have grown in popularity, so the forecasters stopped expecting growth to come from the car sector," the report states. "COVID has significantly damaged airline demand for oil, and it is uncertain when if ever it will return to its 2019 levels. The success of electric vehicles in cars has meant that some forecasters now expect trucking demand for oil to peak in the near term. That leaves the oil sector, as we have seen, dangerously dependent on plastics."

"Remove the plastic pillar holding up the future of the oil industry,

and the whole narrative of rising oil demand collapses," said Kingsmill Bond, Carbon Tracker's energy strategist and report lead author.

The report discusses various challenges facing the plastics industry, all of which are making a business as usual an unlikely scenario for the future: A projected doubling of carbon emissions from plastics production if the current growth rate continues; environmental pollution; health concerns; cleanup costs; public opinion, legislative and fiscal measures; and the transition toward a more circular economy: these are all factors contributing to changes in the way plastics are perceived and used.

Moreover, say the authors, there is increasing evidence that demand for plastics has peaked in the developed world.

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Kingsmill Bond
Carbon Tracker

Next to a stagnation in demand in developed markets, a leapfrog effect is seen in emerging markets, where market leaders are looking for alternative solutions to plastic.

Policymakers in Europe and China are already taking steps to clamp down on plastics waste and have a wide range of tools they can use, from regulation and bans to taxes, targets and recycling infrastructure.

In addition, technology solutions are already available to enable a massive reduction in plastic usage at lower cost than business as usual. These solutions, which were detailed in the recently published report from Systemiq and the Pew Charitable Trusts titled "Breaking the Plastic Wave," include reuse, with better design and regulation of product, substitutions such as paper, and a large increase in re-

cycling. That report, too, called for an "integrated approach with new ways to deliver the benefits of today's plastic is required" and presented an economically viable process to do so.

As Yoni Shiran, a co-author and leader of Systemiq's plastics platform, points out: "There are huge benefits in the change from the current linear system to a more circular one. You can have all the functionality of plastics but at half the capital cost, half the amount of feedstock, 700,000 additional jobs and 80 percent less plastic pollution."

This reduction will require substantial shifts in all economic sectors, significant new investments and major policy changes from governments.

Meanwhile, what about those companies active in the oil and petrochemical sector that have identified plastics as a key vector of growth and have massively increased capacity as a result? This report states that there are "three immediate and obvious implications for the plastic sector if that growth does not materialize: overcapacity; low prices; and stranded assets."

"As the world shifts from the linear model to the circular model, it creates huge amounts of opportunity right across the value chain — from consumer facing business, which can develop reuse strategies, to recycling businesses, which can challenge the petrochemical giants," the report noted.

The report added: "It is notable that there are many companies whose fortunes will be impacted by this story."

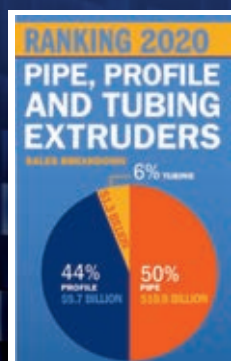
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