

Methanol Market - Growth, Trends, Covid-19 Impact, and Forecast (2023 - 2028)

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Report description:

The methanol market is estimated to reach over 92,700 kilo tons by the end of the current year. It is projected to register a CAGR of over 3.5% during the forecast period.

The COVID-19 pandemic drastically curtailed industrial activities due to imposed government bans and restrictions in 2020 and the first half of 2021, limiting the growth of the methanol market. The chemical industry was paralyzed due to scarce raw material supply, limited working hours/labor strength, reduced demand, and constrained financials. However, the chemical and petrochemical industries have been on track for recovery since the retraction of the pandemic in mid-2021. The exponential rise in demand for chemicals in end-user sectors continues to exert pressure, which is expected to contribute to the growth of the methanol market.

Key Highlights

Over the medium term, the expanding petrochemical sector in China, the United States, and other Asia-Pacific countries and the rising demand for methanol-based fuels are the major driving factors augmenting the growth of the market studied. Furthermore, the growing utilization of methanol in producing olefins using MTO propels increased offtakes in the chemical industries.

On the other side, the higher preference for ethanol fuel or bioethanol over methanol and the health hazardous impacts associated with it are anticipated to restrain the growth of the target industry over the forecast period.

Nevertheless, the use of methanol in new and expanding fuel applications and the growing industrial inclination toward renewable methanol are likely to create lucrative growth opportunities for the market soon.

The Asia-Pacific emerged as the largest market for methanol. It is expected to witness the highest CAGR during the forecast period. The dominance of the Asia-Pacific is attributed to the high demand for methanol in China, Japan, and other Southeast Asian countries, expanding chemical and other application sectors.

Methanol Market Trends

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Energy-related Applications to Dominate the Market

The use of methanol in energy-related applications increased significantly in the past few years. Methanol is widely used in methanol-to-olefins (MTO) transformation reactions, which provides a chance to produce basic petrochemicals (such as ethene, propene, butene, and butadiene) from non-oil resources like coal and natural gas.

Methanol is a precursor for producing methyl tertiary-butyl ether (MTBE), which is added to gasoline to enhance the octane number by increasing the oxygen content. MTBE leads to the complete combustion of gasoline and, thus, lowers the exhaust of harmful gases, like carbon monoxide, and other emissions from vehicles, reducing air pollution.

Methanol has been successfully used to extend gasoline supplies in many gasoline markets worldwide. Adding methanol to the gasoline supply provides non-petroleum alternative energy and a clean-burning, high-octane fuel. According to the Methanol Institute, unlike other alcohols, methanol blending in gasoline has been economical without government subsidies or fuel-blending mandates.

Methanol is also used to produce dimethyl ether, which registers significant usage as a fuel substitute, due to its good ignition quality and high cetane number. DME in diesel engines burns very cleanly with no soot. It can be used in diesel engines as a substitute for conventional diesel fuel.

Methanol is a crucial starting material for the production of biodiesel, which is viewed as an alternative renewable fuel for crude oil-derived diesel. Methanol is preferred over ethanol for the transesterification reaction due to its superior reactivity with triglycerides and high alkaline dissolution properties.

Biodiesel is a clean burning fuel that increases energy security and leads to a lower carbon footprint. It exhibits a higher flash point (100°C minimum) and can be blended with diesel fuel at any proportion; both fuels can be mixed during the fuel supply to vehicles. The environmental benefits of biodiesel had spurred the continued increase in biodiesel production in the historical years, except for 2020, when the pandemic was at large. According to the BP Statistical Review of World Energy, 2022, the production of biodiesel in 2021 recovered, reaching 734 thousand barrels per day (higher than pre-pandemic levels) after showing a slight decrement in 2020. The increasing production trend is likely to increase the share of methanol consumption in biodiesel production during the forecast period.

Considering all the abovementioned factors, the use and demand of methanol for energy-related applications are expected to grow in the forecast period.

Asia-Pacific Region to Dominate the Market

The Asia-Pacific dominated the worldwide market with a significant market share. It is projected to maintain its dominance during the forecast period. China alone is the largest producer and consumer of over 60% of the world's methanol, making the country the worldwide leader. In Anyang, Henan Province, China, a 'cutting-edge' carbon dioxide-to-methanol plant has begun production, becoming the world's first commercial-scale facility to manufacture methanol from captured waste carbon dioxide and hydrogen gases.

According to the Methanol Institute, methanol powers up to 7 million automobiles in China, contributing to more than 5% of the country's fuel pool. Methanol emits 26% less carbon dioxide than conventional gasoline-powered automobiles, even when generated primarily using coal-based techniques. China's Ministry of Industry and Information Technology announced plans to "increase the popularity of methanol automobiles" and study the 'green methanol + methanol cars' concept.

In India, NITI Aayog has designed a strategy to replace 10% of crude imports with methanol alone by 2030. This takes about 30 MT of methanol. Methanol and DME are significantly less expensive than petrol and diesel; India expects to lower its fuel expense by 30% by 2030.

Japan is home to some major automotive producers, including Kawasaki, Yamaha, Toyota, Honda, Nissan, and Suzuki, who are

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planning to develop vehicles that use methanol as fuel. The National Energy Strategy of Japan focuses on reducing petrol dependency from 50% to 40% by 2030, improving energy efficiency by 30%, and replacing 20% of transport fuel with an alternative fuel, such as methanol, enhancing the demand for the market studied.

Singapore is the most recent country to join the ongoing efforts to establish a worldwide infrastructure for producing and distributing methanol as a marine fuel. Singapore, which is already recognized as the world's largest bunkering center for the shipping sector, is set to become the first green e-methanol facility in Southeast Asia, a collaboration between the shipping and fuel industries.

All abovementioned factors are likely to fuel the growth of the methanol market in the Asia-Pacific over the forecast period.

Methanol Market Competitor Analysis

The methanol market is fragmented, with top players holding insignificant shares to affect market demand individually. Some major players in the market (in no particular order) include SABIC, Proman, Ningxia Baofeng Energy Group Co. Ltd, Methanex Corporation, and ZPCIR.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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