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Key Developments in Global Oleochemicals

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GlobalData

2025

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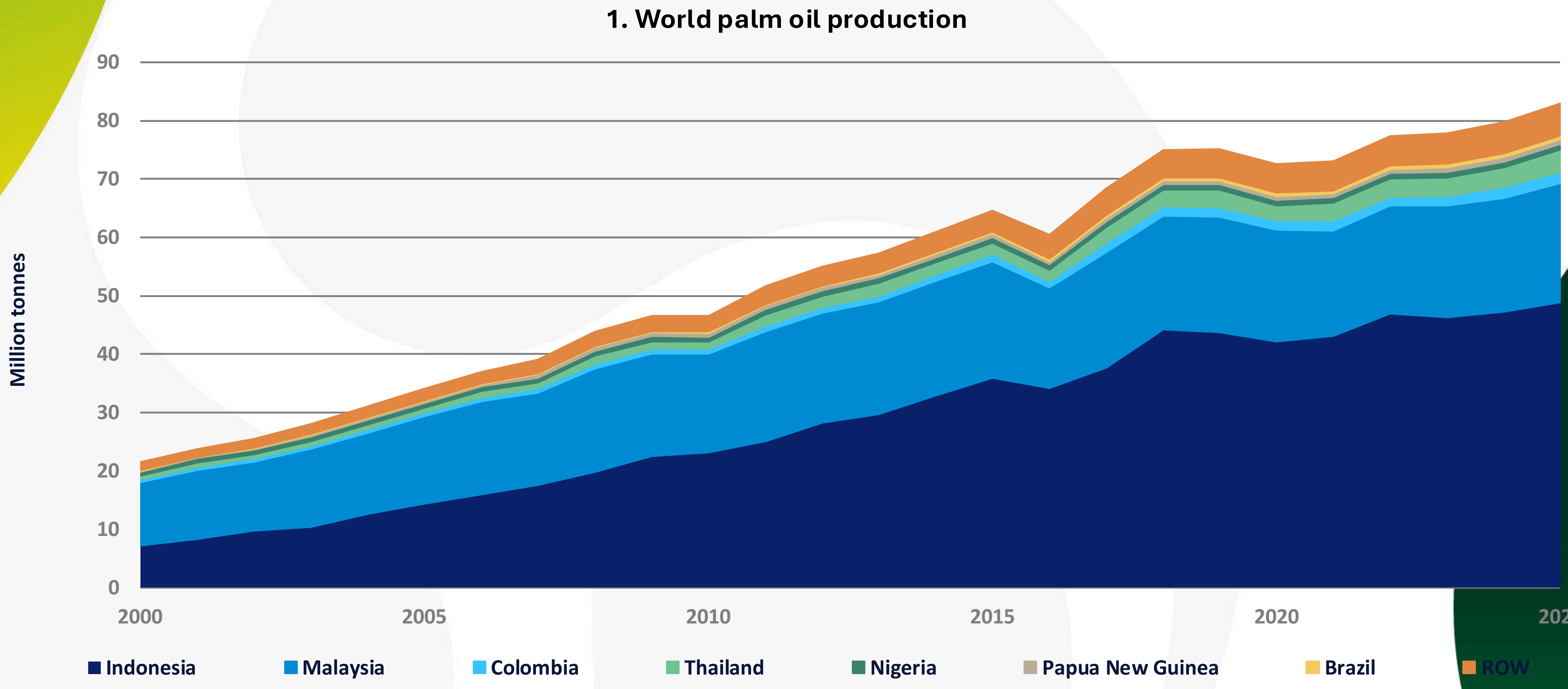
Palm-based raw material supply

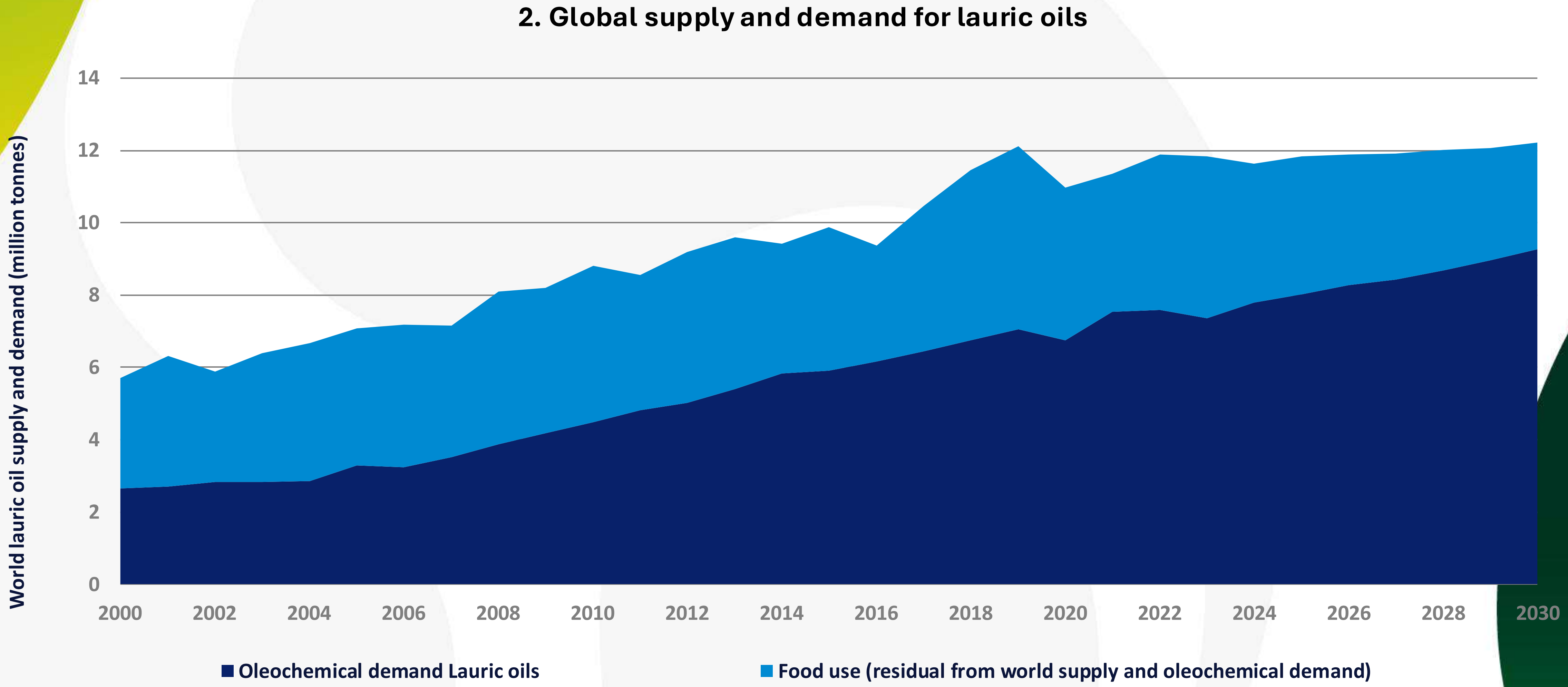
Palm oil output is slowing down

Up until 2018 growth averaged >7% per annum but since then has dropped to <3%



Oleochemicals compete with food use for lauric oils

Demand for lauric oils will outpace supply leading to rationing



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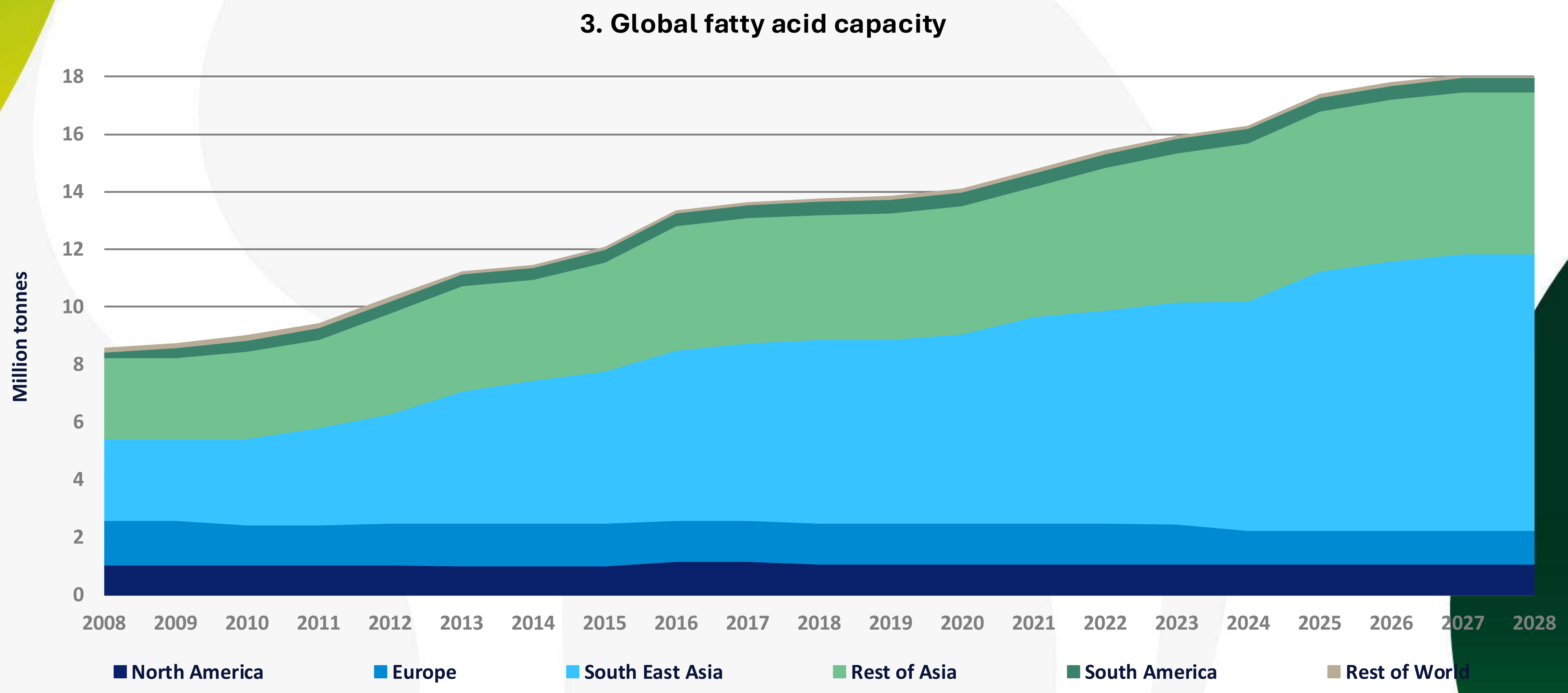
Fatty acids

A new wave of fatty acid capacity expansion is underway

Global fatty acid capacity to reach 18.1 million tonnes by 2027



- Seven new fatty acid plants have started or will start in the period 2024 to 2026
- New plants will add 1.4 million tonnes of capacity in the period 2024-2026
- Capacity expansions will add a further 0.8 million tonnes
- Most expansion is taking plant in Indonesia and China

Table 1: New Fatty Acid Plants

Country	Company	Capacity '000 tonnes	Status	Year
China	Peak Oleo (Apical)	315	Operating	2023
Indonesia	Permata Hijau Palm Oleo	200 (Phase I)	Operating	2024
Indonesia	Permata Hijau Palm Oleo	200 (Phase II)	Operating	2024
Indonesia	KLK	450	Operating	2025
China	Guangxi Zhongde	100	Operating	2025
Indonesia	PT Sheel Oil Indonesia	165	Under construction	2025
Indonesia	First Resources	200	Under construction	2025
Indonesia	KPN Corp	100	Under construction	2026

The fatty acid market is fragmented

Four integrated majors account for over a third of the total capacity, while Apical gained a larger share due to its rapid expansion

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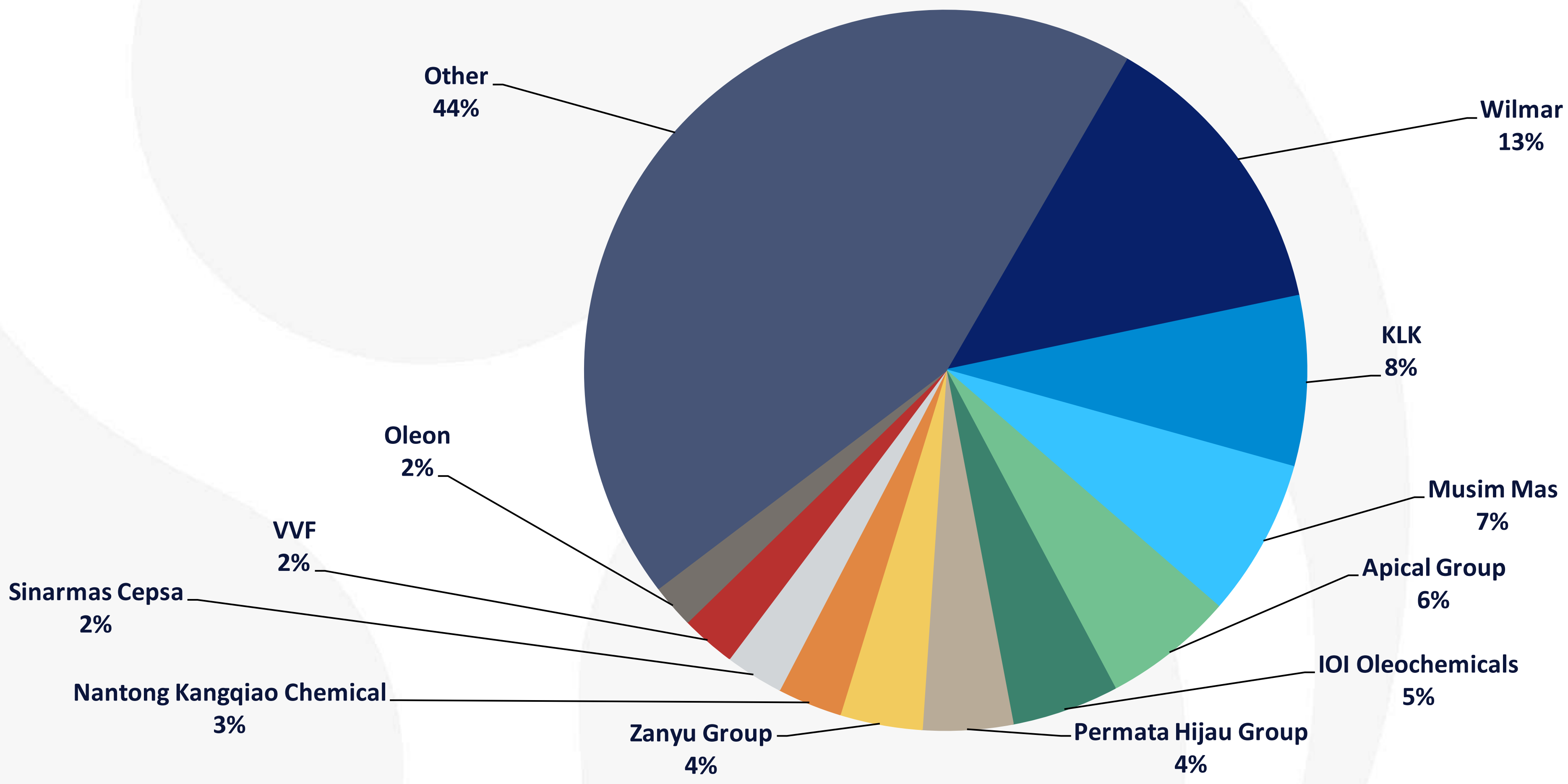
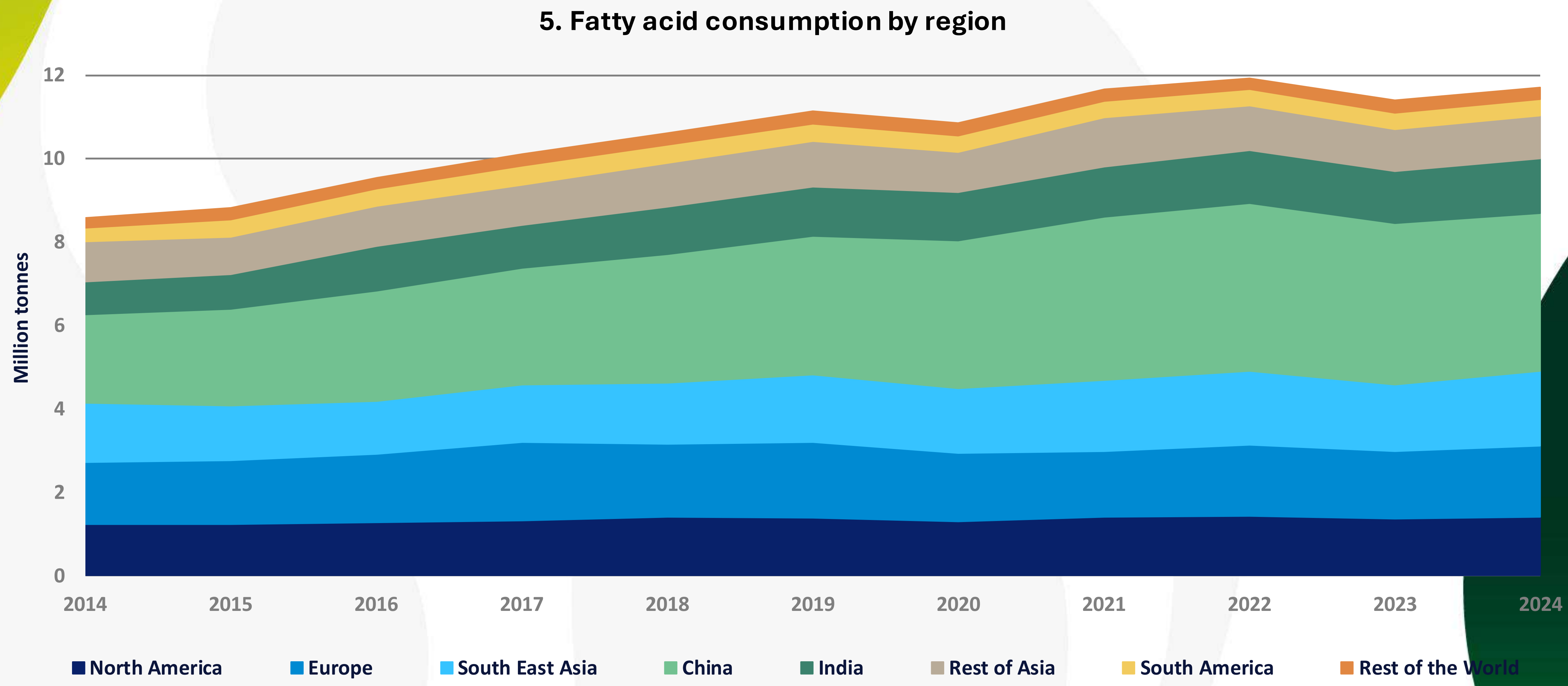
4. Capacity shares of leading fatty acid manufacturers, 2024



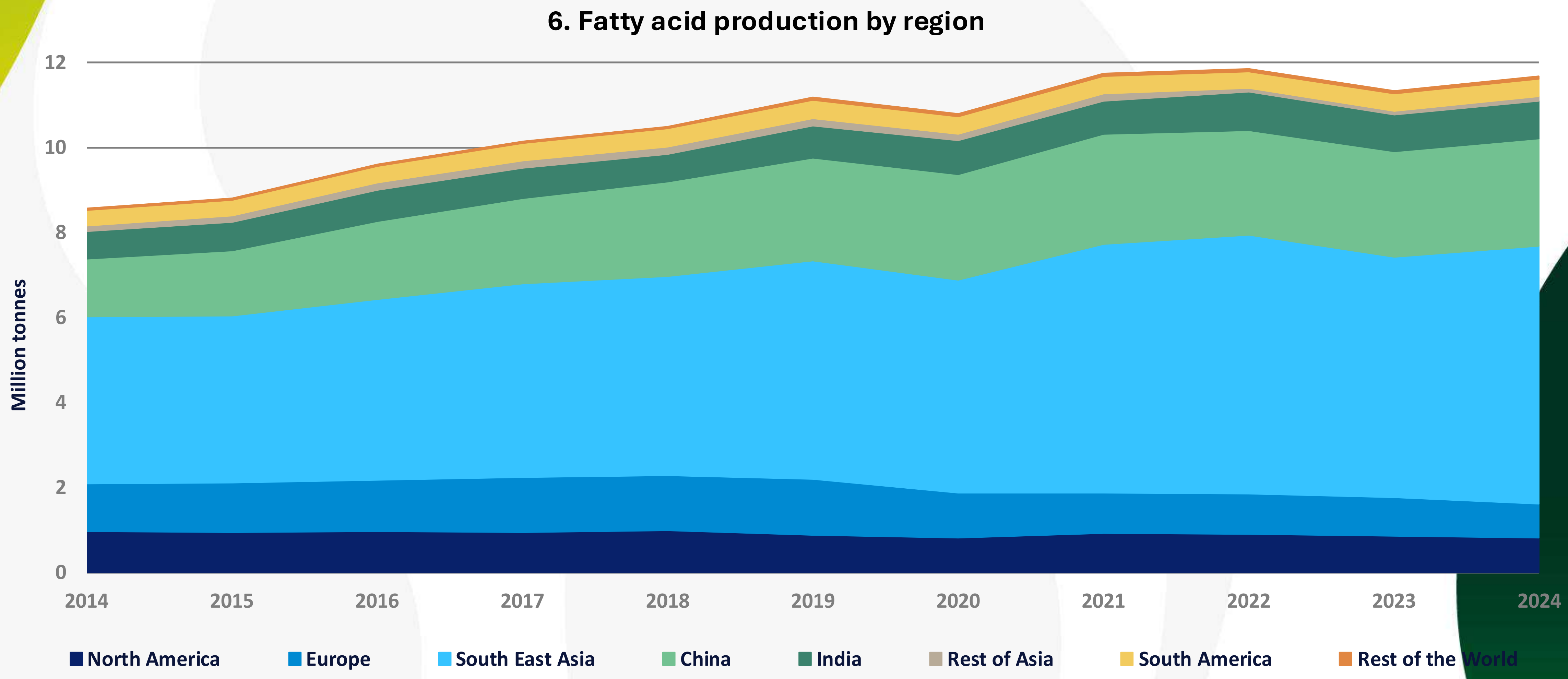
Fatty acid demand rose in 2024 to 11.7 million tonnes

China represents one third of the global fatty acid market



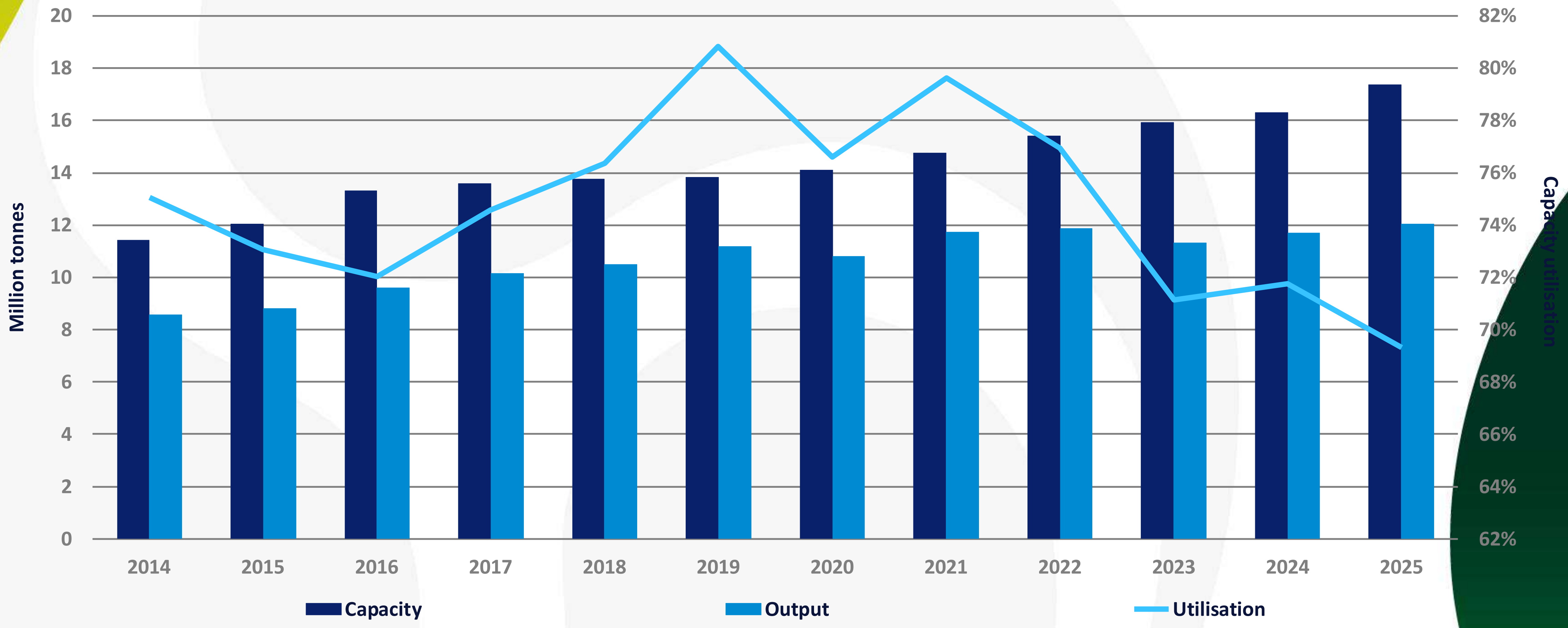
11.7 million tonnes

Southeast Asia is more than half of supply. South America provides just 3%.



Weaker demand in 2023 also weighed on fatty acid production.

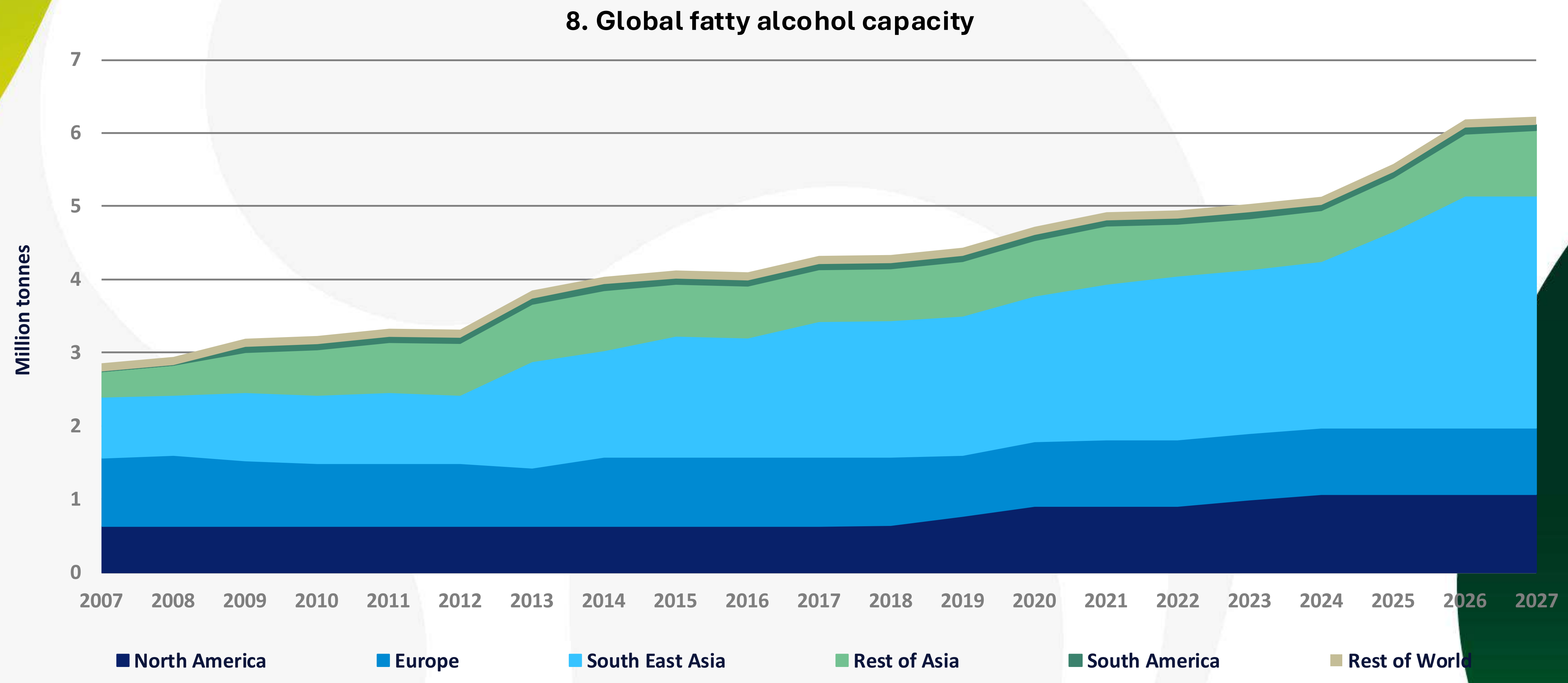
7. Global fatty acid capacity, production and utilisation



Fatty alcohols

million tonnes to the industry

Global fatty alcohol capacity is expected to reach 6.2 million tonnes by 2027



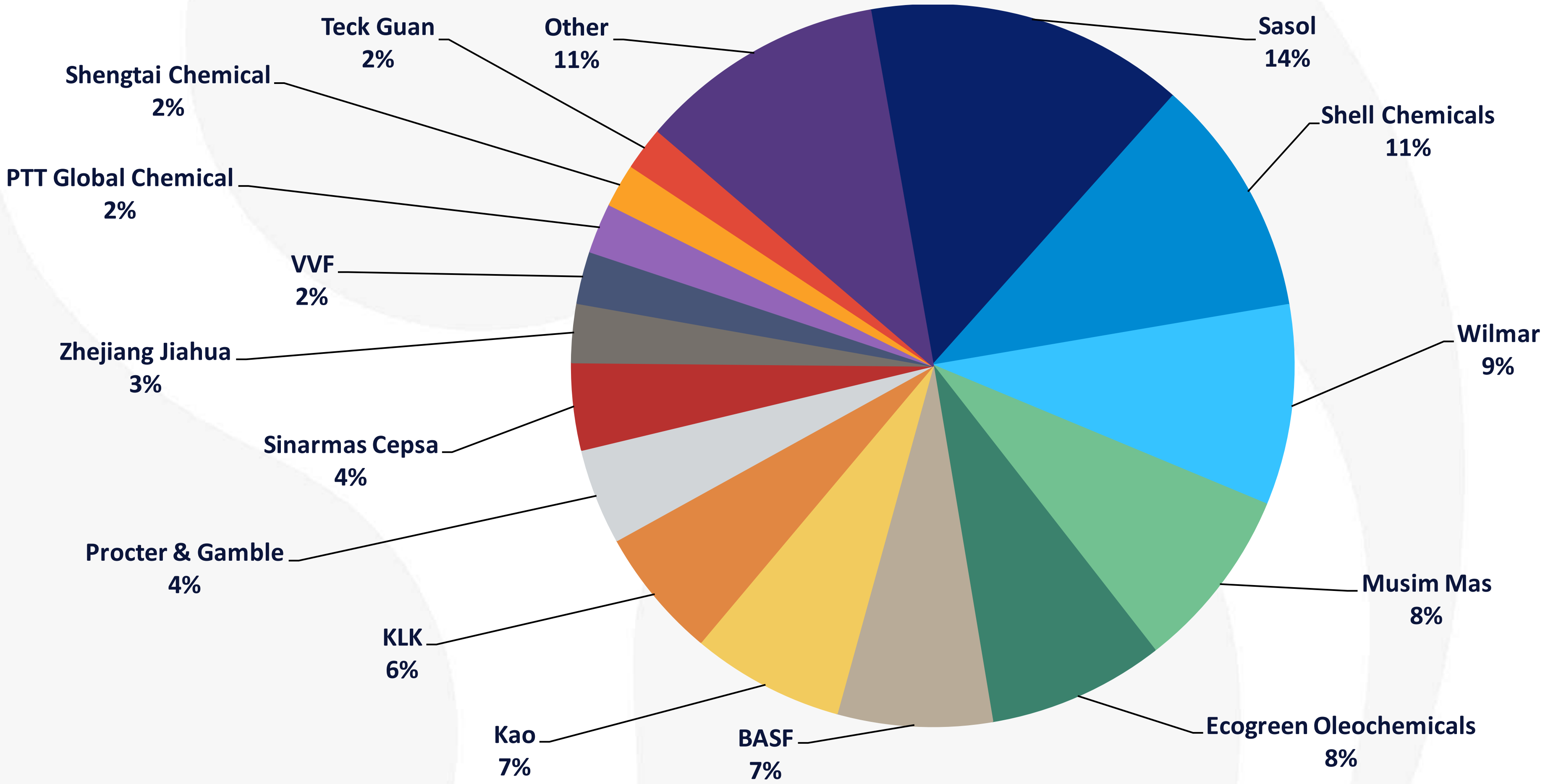
4 greenfield plants are due to start operations in 2025

- 5 existing plants are undergoing expansion
- Unilever and Apical plants utilise LP3 technology
- Overall, 1.1 million tonnes of new capacity will enter the market between 2024 and 2027
- All of these projects are for natural alcohols
- Further ahead we could see a new investment in synthetic alcohols in China

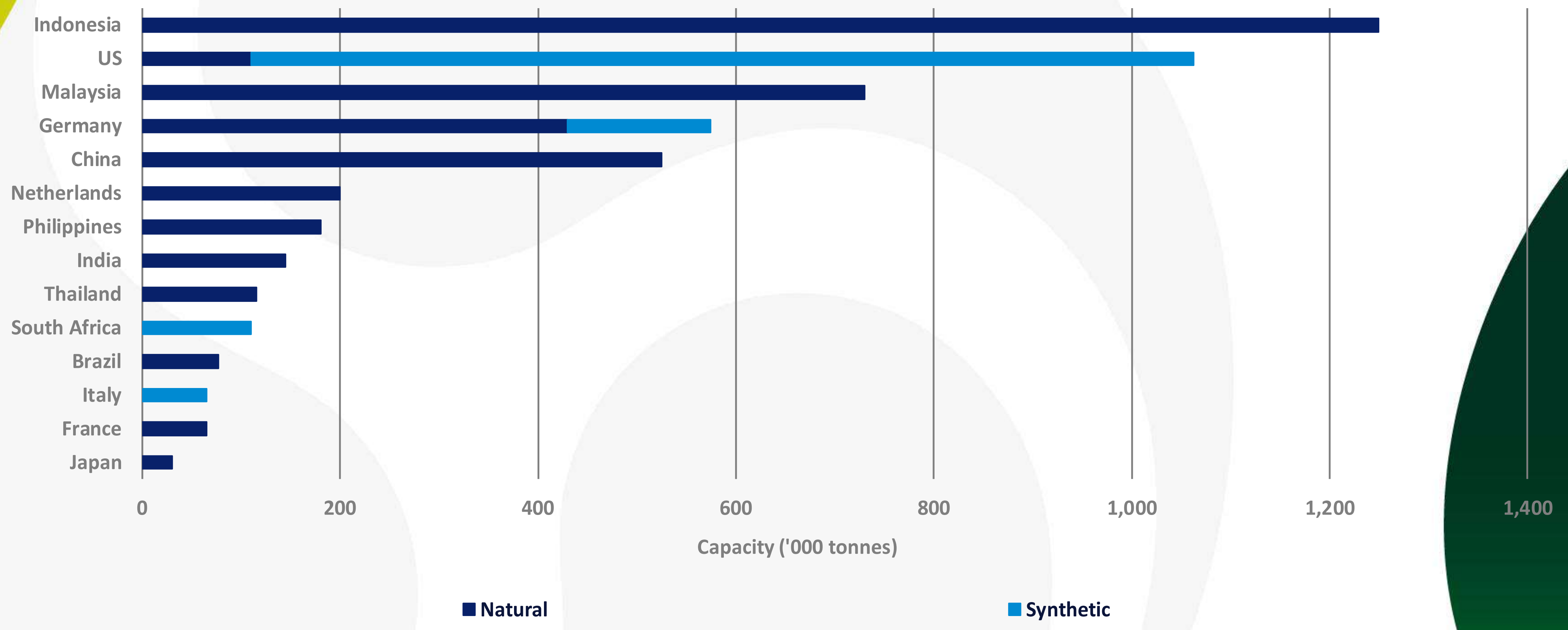
Table 2 New Fatty Alcohol Plants

Country	Company	Location	Capacity '000 tonnes	Status	Year
China	Zhuoyue New Energy	Longyan	50	Operating	2025
Indonesia	Unilever	Sei Mangkei	120	Under construction	2025
Indonesia	Permata	Pelintung	100	Under construction	2025
Indonesia	Apical	Dumai	130	Under construction	2025

9. Capacity shares of leading fatty alcohol manufacturers, 2024



10. Natural and synthetic fatty alcohol capacity by country, 2024



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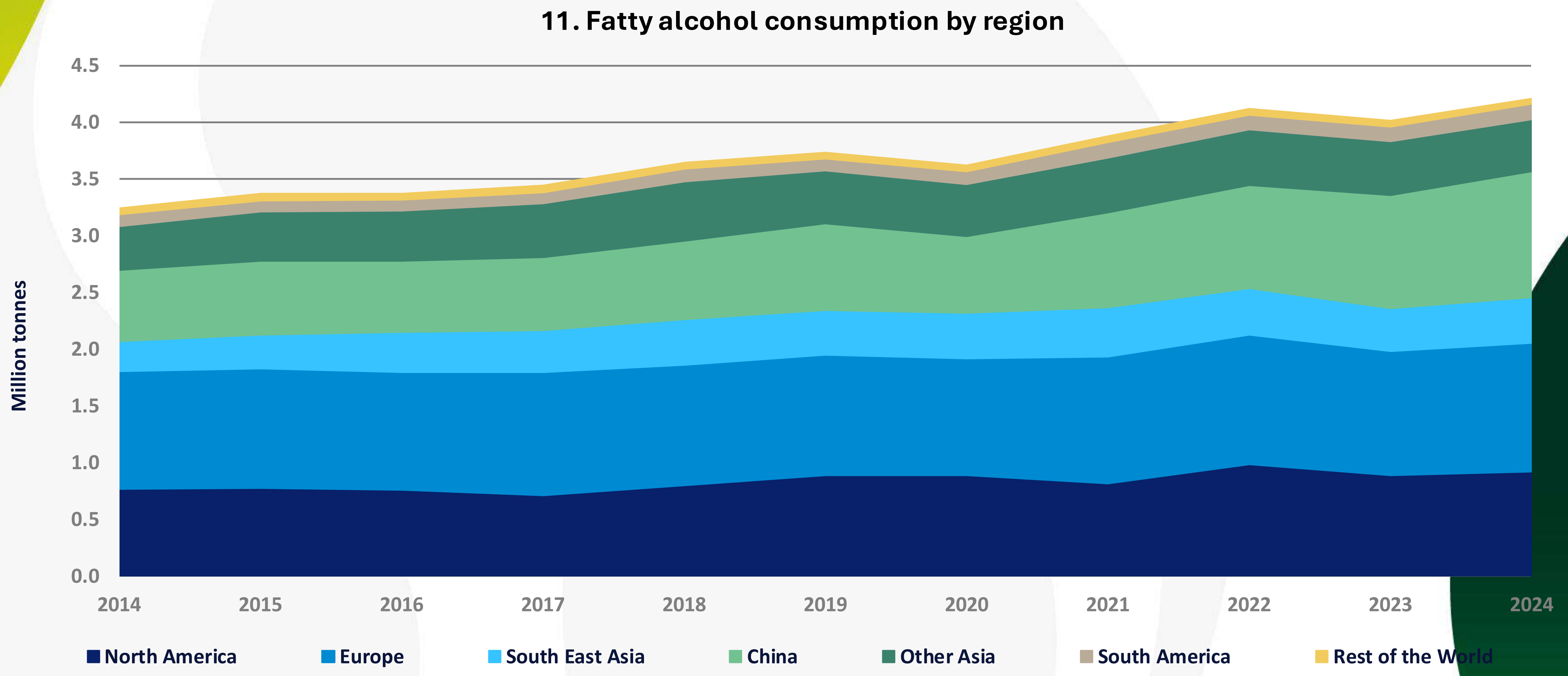
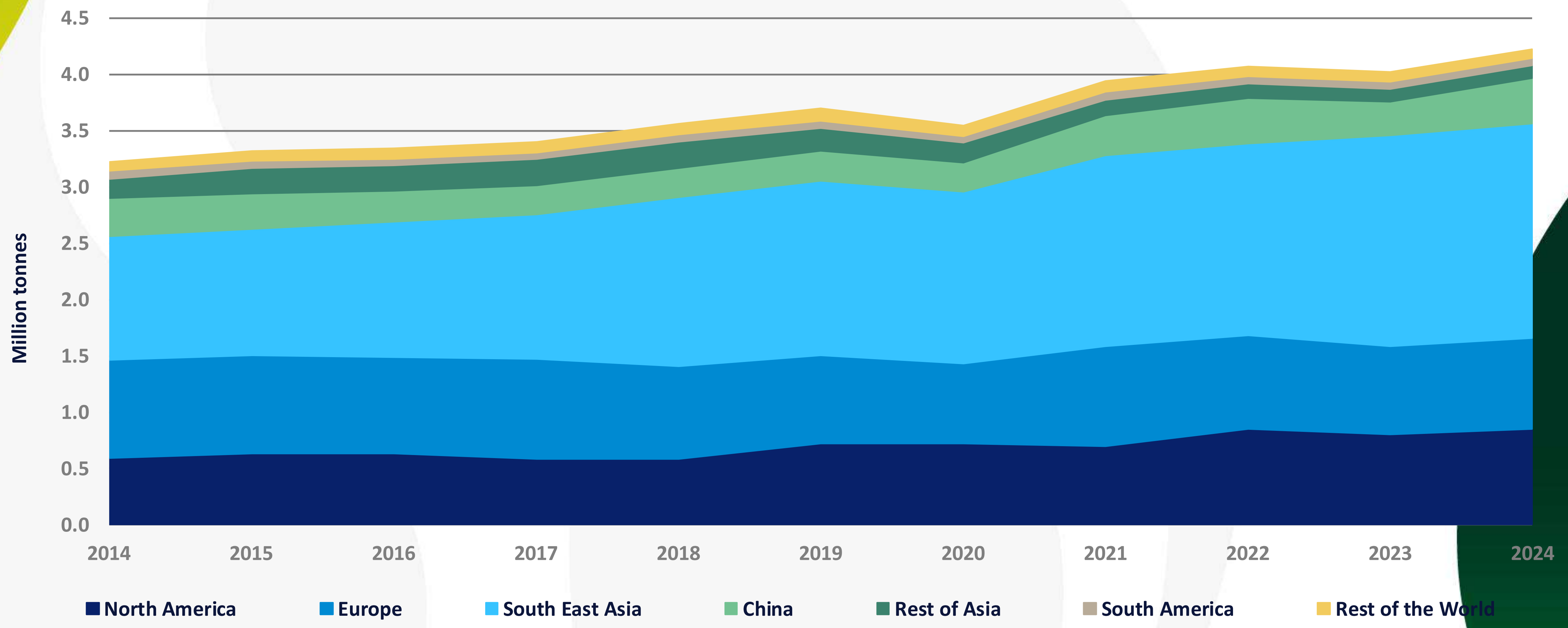
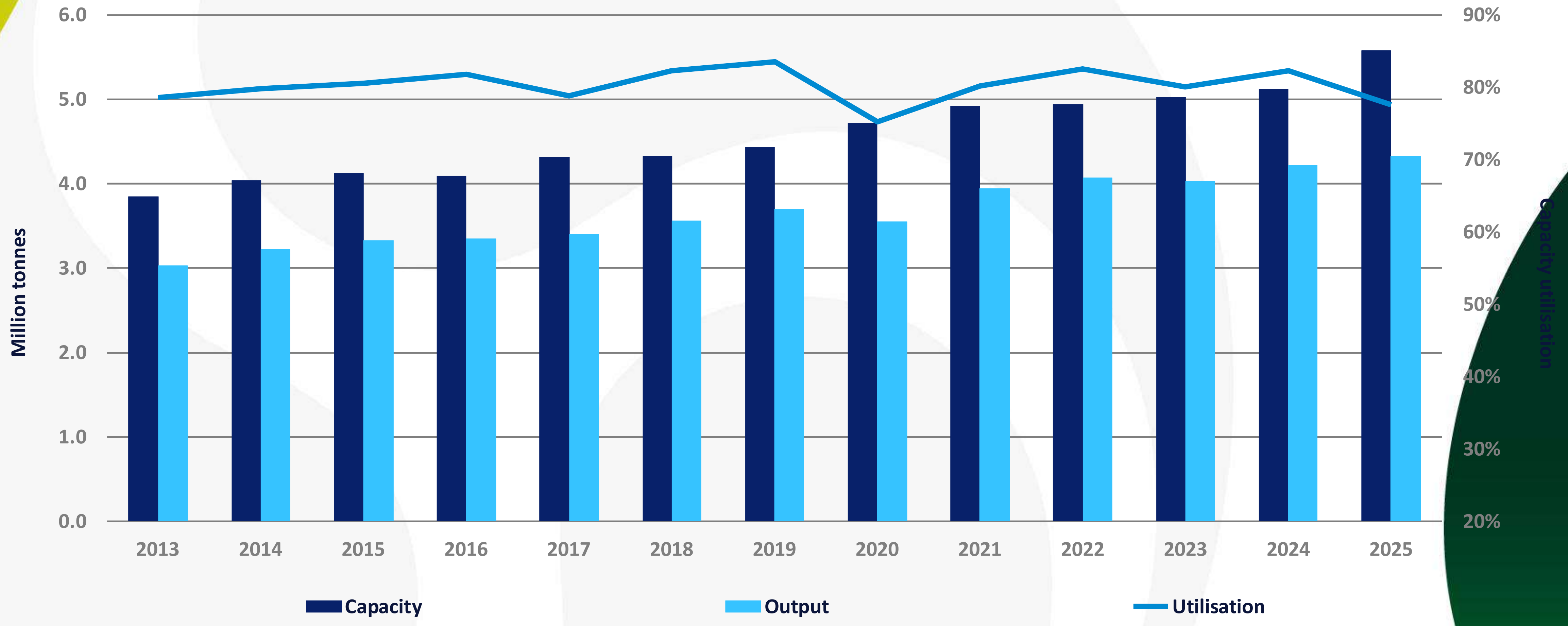
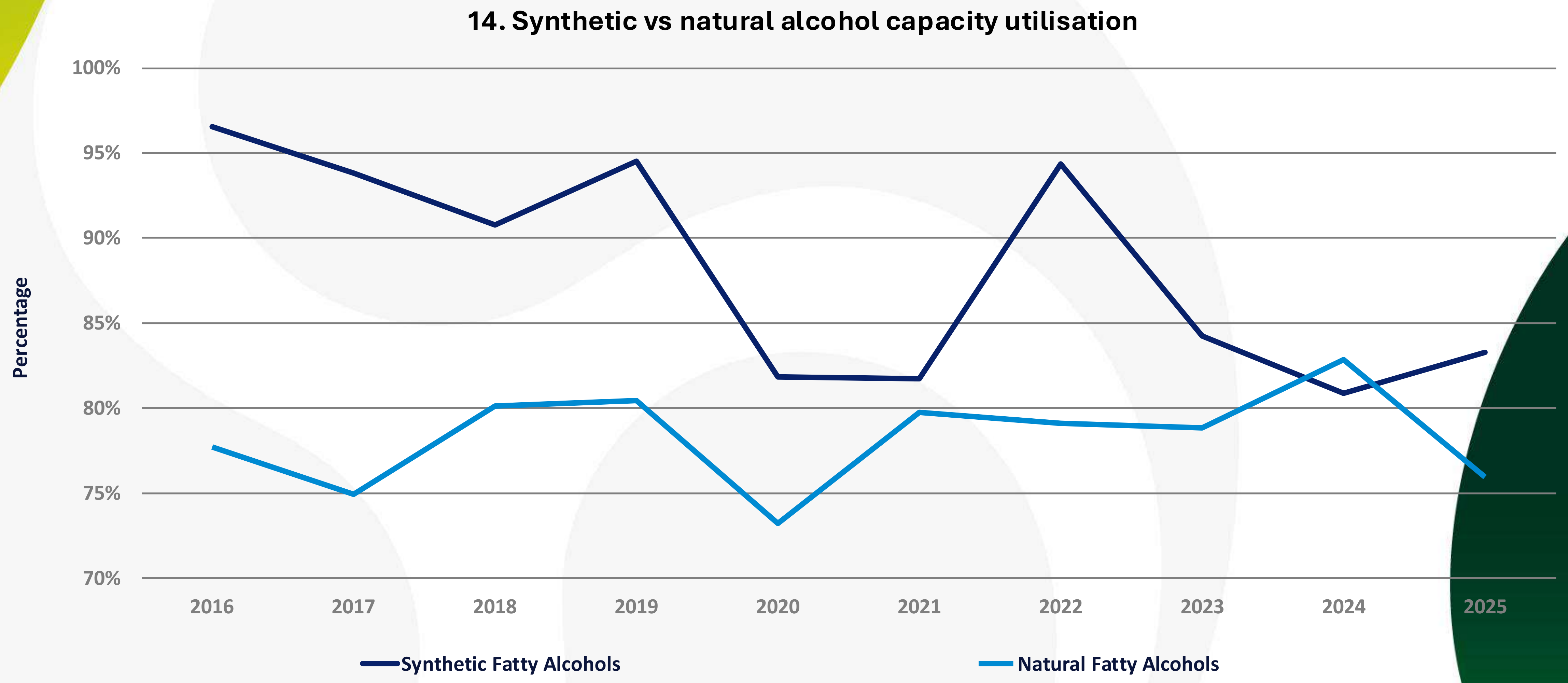


12. Fatty alcohol supply by region



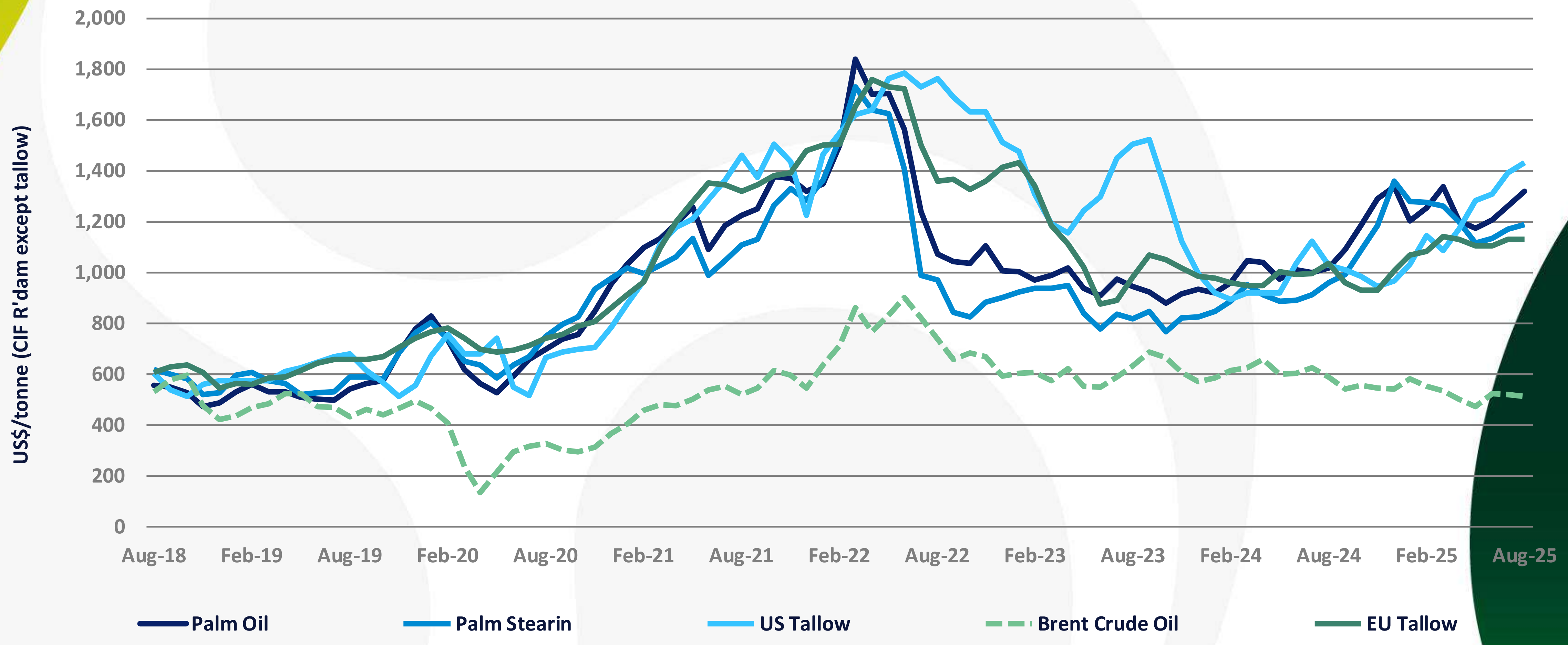
13. Global fatty alcohol capacity, production and utilisation

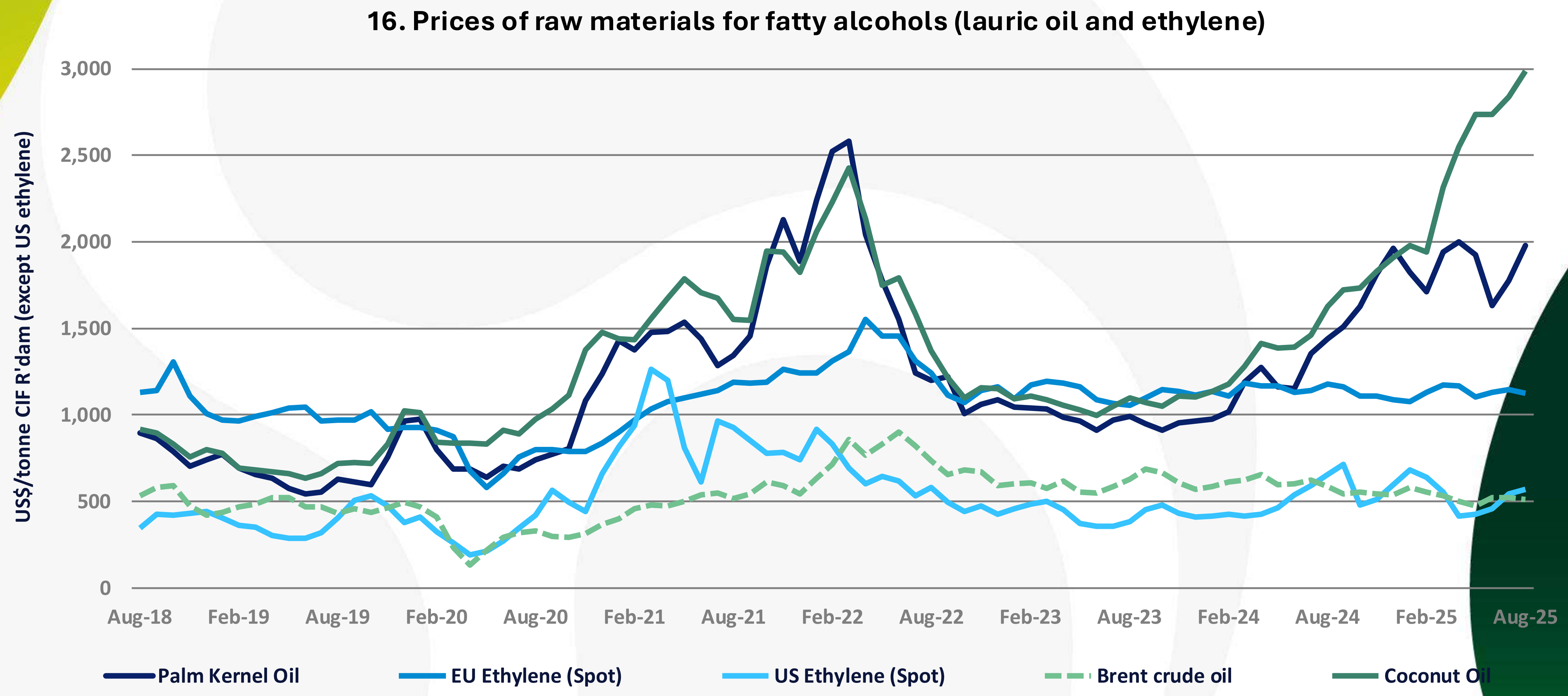



14. Synthetic vs natural alcohol capacity utilisation
100%
95%
90%
85%
80%
75%
70%
Percentage
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Synthetic Fatty Alcohols
Natural Fatty Alcohols

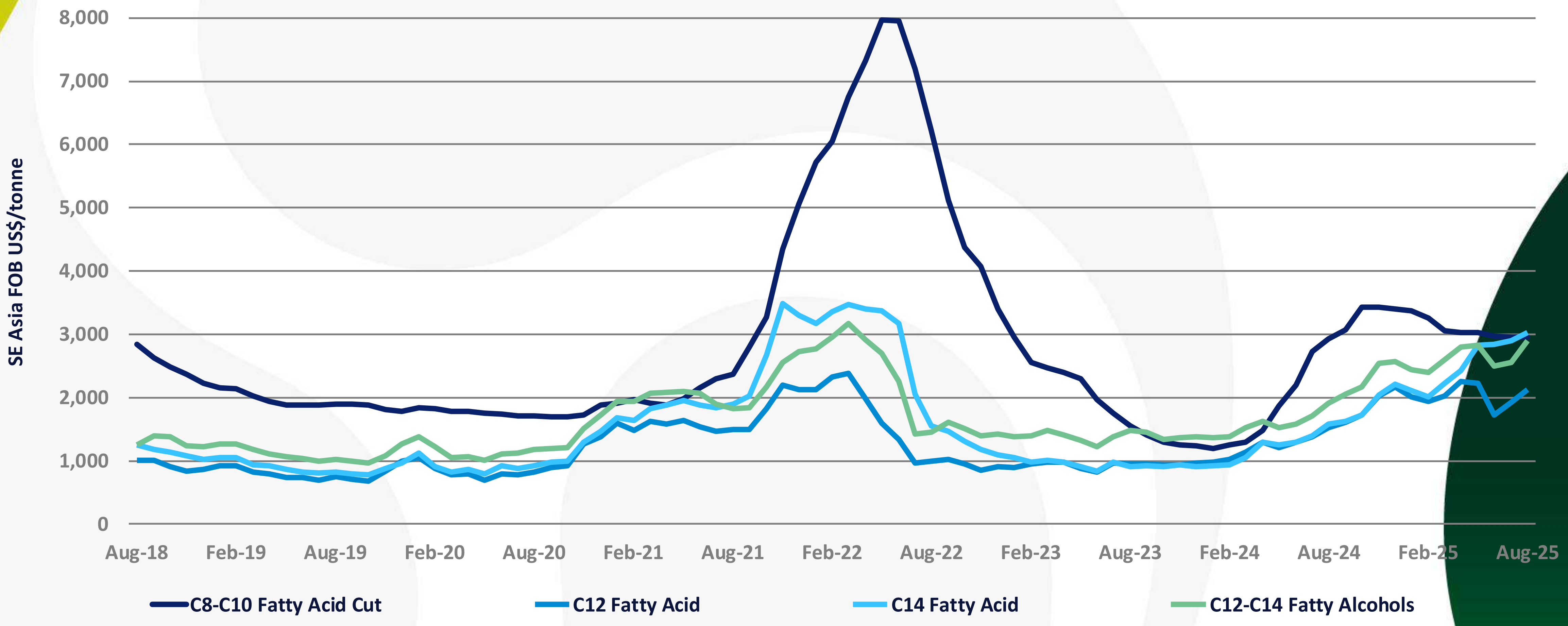
Price dynamics

15. Prices of raw materials containing C16-18 chain lengths vs crude oil




16. Prices of raw materials for fatty alcohols (lauric oil and ethylene)
US$/tonne CIF R'dam (except US ethylene)
3,000
2,500
2,000
1,500
1,000
500
0
Aug-18
Feb-19
Aug-19
Feb-20
Aug-20
Feb-21
Aug-21
Feb-22
Aug-22
Feb-23
Aug-23
Feb-24
Aug-24
Feb-25
Aug-25
Palm Kernel Oil
EU Ethylene (Spot)
US Ethylene (Spot)
Brent crude oil
Coconut Oil

17. Short/medium chain oleochemical prices



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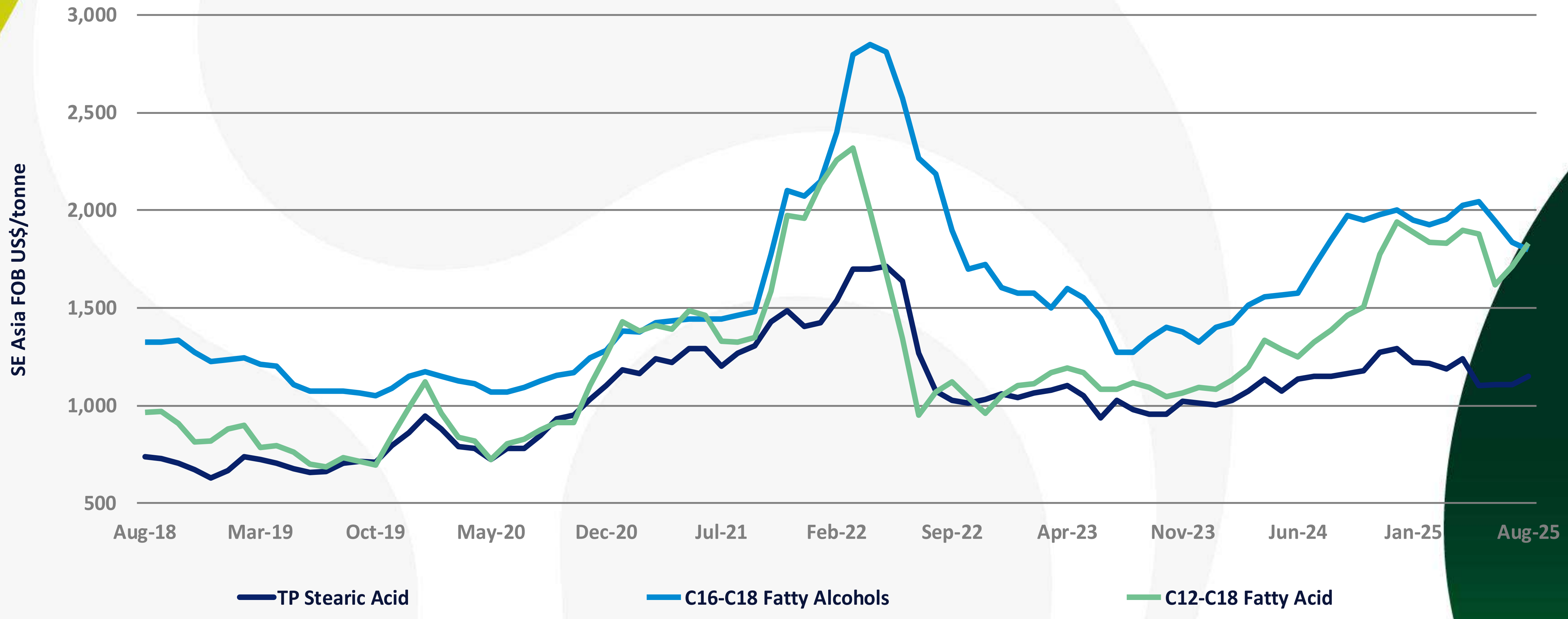
18. Long chain oleochemical prices



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Key takeaways

- The global fatty acid market fared better in 2024. With improved economic growth and declining inflation rates, demand for fatty acids across the regional markets picked up, driving a rebound in overall consumption. Nonetheless, the fatty acid market will remain in overcapacity as the industry is at the forefront of capacity expansion, which will see another 1.8 million tonnes added into the market by 2027.
- Indonesia continued to be the hub of oleochemical investment. In 2025, the country raised its export levies on palm oil products to fund its ever-increasing biodiesel mandate – B40 from March 2025. This not only drove palm oil prices upwards but also provided higher incentives for the Indonesian producers. Despite this, Malaysia saw a further growth in its fatty acid output, thanks to the EU's ADDs.
- The outlook for global fatty acid market in 2025 is clouded by policy uncertainty.
- The US tariff swings have caused chaos in the global trade and the shipping industry. The announced reciprocal tariffs on the imports from Indonesia (32%) and Malaysia (25%) will likely boost fatty acid prices in the US and divert global fatty acid trade flow, while this could benefit the domestic producers.
- The upcoming EUDR could potentially result in another round of stock building in the second half of the year in the EU. The exclusion of fatty acid derivatives in the regulation would lead to higher imports of derivatives and have a negative impact on the EU oleochemical producers.
- The slow economic recovery in China will further constrain the growth of fatty acid market. With limited growth in demand and overcapacity in the market, fatty acid producers are likely to face a bloodbath as to who can survive with reduced margins.

- The global fatty alcohol market recovered in 2024, following the downturn seen in the previous year. Rebounding demand in addition to high prices of fatty alcohol led to the resumption of scheduled expansion projects.
- 2025 is expecting eight new projects to come on stream although some might slip into 2026, which will add 1.1 million tonnes of new capacity. Most new capacity is concentrated in Indonesia as the country will continue to encourage downstream processing with its ambitious biodiesel programme and supportive export tax policy.
- As the fatty alcohol industry is entering a period of overcapacity, some old and small non-integrated plants are expected to close. Some rationalisation of capacity in China and Malaysia will likely take place in the near term.
- The EU fatty alcohol market will likely remain bullish in 2025 with persistent supply tightness and the expectation of stock building in the second half of the year for the EUDR. Thereafter, market growth is expected to slow, weighed down by the sluggish economic outlook and policy burdens. Given the ongoing industrial recession and unfavourable operating conditions, we anticipate some rationalisation of fatty alcohol capacity in the bloc.
- The outlook for the US market is brighter as domestic synthetic producers continue to benefit from low-cost ethylene and Trump's tariffs, as well as the opportunity to expand their market share in the EU thanks to the deforestation regulation.

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