



RLA Market Insights – Thursday, 28 August 2025

South Korea Launches Petrochemical Restructuring, Cutting Naphtha-Cracking Capacity to Boost Competitiveness

Ten South Korean petrochemical companies have agreed to a sweeping restructuring plan that will see their combined annual naphtha-cracking capacity reduced by 2.4–2.7 million tonnes, according to government statements released on Wednesday. The move is part of a broader industry-wide effort to address excess supply. Finance Minister Koo Yun-Cheol confirmed that these plans will outline specific capacity reductions and measures to strengthen financial structures.

At the same time, the Ministry of Trade, Industry and Energy (MOTIE) unveiled a new restructuring strategy designed to limit the impact on local economies and jobs while pushing the industry toward higher value eco-friendly production. This comes as petrochemical producers in South Korea and globally continue to face shrinking profit margins amid a decade-long global supply glut, primarily driven by China's aggressive capacity expansions.

Trade and Industry Minister Kim Jung-Kwan described bold and rapid restructuring as the only breakthrough for securing future competitiveness. Stressing the principle of self-rescue efforts first, government support second, he emphasized that government aid will only be extended if companies demonstrate genuine, unified restructuring initiatives. He also warned against free riding by firms seeking to rely solely on state assistance or benefit from others' reductions without taking responsibility.

The restructuring framework has three key objectives: transitioning to high-value specialty and eco-friendly products, improving financial resilience, and minimizing negative effects on regional employment. Government support will follow three guiding principles: simultaneous restructuring across the country's three major petrochemical hubs (Ulsan, Yeosu, and Daesan), turnaround plans backed by substantial self-help measures, and preparation of a comprehensive support package.

The government's proposed assistance will include financing, tax incentives, research and development support, and deregulation granted only after thorough evaluation of restructuring proposals. To cushion local economies, MOTIE is considering designating Seosan, home to the Daesan petrochemical complex, as a special industrial crisis response zone. This follows a similar designation for Yeosu in May, where South Korea's largest petrochemical complex is located, hosting key players such as LG Chem, Lotte Chemical, Kumho Petrochemical, Hanwha Solutions, and Yeochun NCC (YNCC).

Overall, the initiative represents a coordinated effort by industry and government to streamline capacity, enhance competitiveness, and reposition South Korea's petrochemical sector for a more sustainable future.

A list of South Korean Ethylene and Propylene capacities is listed in the table on the next page.

WADE MARITIME
GROUP

COMPANY	PRODUCT	Capacity ('000 tonnes/year)	SITE
HANWHA TOTALENERGIES PETROCHEMICAL	Ethylene	1550	Daesan
HD HYUNDAI CHEMICAL	Ethylene	850	Daesan
LG CHEM	Ethylene	1270	Daesan
LOTTE CHEMICAL	Ethylene	1100	Daesan
KOREA PETROCHEMICAL IND.	Ethylene	900	Onsan
S-OIL CORP.	Ethylene	187	Onsan
SK GEO CENTRIC	Ethylene	690	Ulsan
GS CALTEX	Ethylene	900	Yeosu
LG CHEM	Ethylene	1180	Yeosu
LG CHEM	Ethylene	900	Yeosu
LOTTE CHEMICAL	Ethylene	1200	Yeosu
YNCC	Ethylene	900	Yeosu
YNCC	Ethylene	915	Yeosu
YNCC	Ethylene	470	Yeosu
HANWHA TOTALENERGIES PETROCHEMICAL	Propylene	230	Daesan
HANWHA TOTALENERGIES PETROCHEMICAL	Propylene	805	Daesan
HD HYUNDAI CHEMICAL	Propylene	500	Daesan
HD HYUNDAI OILBANK	Propylene	400	Daesan
LG CHEM	Propylene	700	Daesan
LOTTE CHEMICAL	Propylene	540	Daesan
KOREA PETROCHEMICAL IND.	Propylene	110	Onsan
KOREA PETROCHEMICAL IND.	Propylene	460	Onsan
S-OIL CORP.	Propylene	210	Onsan
S-OIL CORP.	Propylene	705	Onsan
HYOSUNG	Propylene	200	Ulsan
HYOSUNG	Propylene	300	Ulsan
SK ADVANCED CO	Propylene	600	Ulsan
SK GEO CENTRIC	Propylene	150	Ulsan
SK GEO CENTRIC	Propylene	350	Ulsan
SK GEO CENTRIC	Propylene	390	Ulsan
TAEKWANG INDUSTRIAL	Propylene	300	Ulsan
GS CALTEX	Propylene	230	Yeosu
GS CALTEX	Propylene	250	Yeosu
GS CALTEX	Propylene	470	Yeosu
LG CHEM	Propylene	130	Yeosu
LG CHEM	Propylene	580	Yeosu
LG CHEM	Propylene	450	Yeosu
LOTTE CHEMICAL	Propylene	665	Yeosu
YNCC	Propylene	140	Yeosu
YNCC	Propylene	475	Yeosu
YNCC	Propylene	591	Yeosu
YNCC	Propylene	260	Yeosu



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A monthly report covering the next four months including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

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