

Methanol prices soar - August 29, 2006

Posted prices for methanol increased by 30 cents per gallon in August throughout North America and methanol distributors in the Northeast United States are seeing increases of 40 to 60 cents per gallon—among the highest price increases in history.

Methanex, a global producer of methanol increased its North American non-discounted reference price from \$1.03 to \$1.33 per gallon in mid-August. Generally, price adjustments occur at the end of the month, but unique market conditions required a mid-month pricing change.

Methanol distributors in Massachusetts and Pennsylvania said that they have seen increases of 40 to 60 cents per gallon.

“Even if customers are willing to pay the premium, it’s still difficult to actually get the volume,” said one Pennsylvania-based methanol distributor.

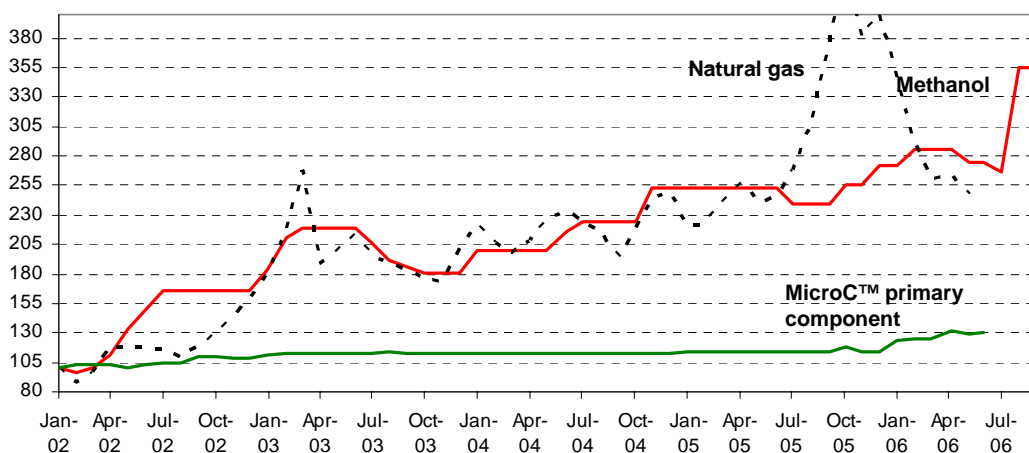
A Massachusetts-based methanol distributor said that this is the largest price increase that he had ever seen. Platts Petrochemical Report indicated that current spot methanol prices were trading at a 12-year high.

Methanex also announced in August that it had re-started its 530,000 ton-per-year New Zealand-based Waitara Valley methanol plant.

“The decision to re-start Waitara Valley is driven by our view of methanol industry balances,” said John Floren, Methanex’s Senior Vice President, Global Marketing and Logistics. “As a result of continuing strong demand as well as planned and unplanned supply outages, inventories of methanol are at extremely low levels. We believe that, in this environment, the methanol industry will experience tight market conditions over the next year. Operating our New Zealand plant will help to address some of the additional customer demand that we are experiencing today and offset some of the shortages that are evident in the market.”

The primary feedstock for the production of methanol is natural gas and methanol and natural gas prices are linked. The chart below shows historic prices for methanol and natural gas. The chart also shows historical the cost for primary components of MicroC™, a methanol substitute used as an electron donor for wastewater denitrification applications.

Indexed Methanol¹, Natural Gas² and MicroC™ Primary Component³ Pricing
(January 2002 – September 2006)



¹ Methanex monthly average U.S. Gulf Coast price per gallon

² Energy Information Administration monthly average wellhead price

³ United States Department of Agriculture, Bureau of Labor Statistics