

Shelby Dolan

From: Breanna Clark <bclark@membranechemicals.com>
Sent: Friday, October 1, 2021 11:39 AM
To: Shelby Dolan
Cc: Timothy Rees
Subject: Worldwide Shortage of Antiscalant Raw Materials and Why AWC Customers should NOT worry
Attachments: image001.wmz; Yellow Phosphorous Chart.png



Status of the Phosphonate Supply in the Water Treatment Industry:

As a reliable supplier of water treatment chemicals, American Water Chemicals would like to inform you about the current global shortage that will be affecting the water treatment market.

We received notice recently that the Chinese government had ordered several industries including cement, aluminum and yellow phosphorous, to immediately reduce their production by 90% through the end of the year to curb China’s electricity shortage. Yellow phosphorous is the raw material needed to make phosphonates that are used in antiscalants for water treatment. Since China currently supplies almost 80% of the world’s yellow phosphorous, this sudden shortage has caused costs to double overnight, and triple relative to previous weeks (See Attachment). This has already had several major implications:

- Some phosphonate suppliers have already announced that they are currently unable to source yellow phosphorous and have completely shut down production until further notice.
- Those phosphonate suppliers who are able to continue production have placed their products on allocation, meaning that they will limit the quantity that any single manufacturer of water treatment chemicals can purchase.
- Phosphonate prices have already doubled since we received the announcement and we expect them to continue to rise as a result of the lack of supply during a time of high demand. We do not yet know how high costs will rise, but when the Chinese government took similar action during the 2008 Beijing Olympics, costs increased by 3 – 4X over a period of several months.

Being that all Chinese factories shut down for 15 days for Chinese New Year in February, the shortage will likely continue through late spring of 2022 as the factories catch up with worldwide demand.

The good news and why AWC Customers should not worry:

Fortunately, AWC maintains a large inventory of all raw materials used in making its antiscalants, so there will be no interruptions in supply or shipping delays to any of our customers. Our large inventory also means that we will be able to reduce the severity of the cost increases that will have to be passed on to our customers, just as we have done over the past year. As an alternative, we can also offer our highly effective phosphorous-free antiscalants that have been tried and proven over the past 3 decades.

Please do not hesitate to contact your AWC representative if you have any questions.

Mo Malki
CEO/ Technical Director

—○— Yellow phosphorus-- Jiangsu market-99.5%-RMB/mt[Market price] —○— 2020/01/01-2021/09/15Average



Shelby Dolan

From: Timothy Rees <trees@membranechemicals.com>
Sent: Monday, October 18, 2021 1:18 PM
To: Shelby Dolan
Cc: Bryan Hirsch
Subject: FW: Port St. Lucie JEA and Prineville Water Treatment Plants (WTP): American Water Chemicals (AWC): A-102 Plus Emergency Surcharge
Attachments: Quote 21-03-610.pdf; Yellow Phosphorous Oct1.png

Good afternoon, Shelby. I am following up on my Email below that I sent to you last week. Please let me know if you have any questions or require any additional information. As always, we sincerely appreciate your business!

Thank you!

Tim Rees

Regional Sales Manager – Southeast



American Water Chemicals, Inc

1802 Corporate Center Lane | Plant City, FL 33563 USA

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Email: trees@membranechemicals.com

www.membranechemicals.com

From: Timothy Rees
Sent: Monday, October 11, 2021 4:38 PM
To: 'sdolan@cityofpsl.com' <sdolan@cityofpsl.com>
Cc: Breanna Clark (bclark@membranechemicals.com) <bclark@membranechemicals.com>; Deyerlyn Docimo <ddocimo@membranechemicals.com>
Subject: Port St. Lucie JEA and Prineville Water Treatment Plants (WTP): American Water Chemicals (AWC): A-102 Plus Emergency Surcharge

Shelby, it was a pleasure speaking with you today. Based on our phone conversation and AWC's October 1, 2021 Email that you received, AWC would like to offer the City of Port St. Lucie an option for supplying AWC-A-102 Plus membrane antiscalant for the JEA and Prineville RO WTPs during the current worldwide, emergency phosphonate supply chain difficulties.

As a result of the worldwide phosphonate supply issue, we are implementing a temporary 35% emergency surcharge on all AWC phosphonate-based antiscalants including AWC A-102 Plus. In the City's case, this option would implement the 35% emergency surcharge on your current contract price of \$0.78 per pound. The AWC A-102 Plus emergency surcharge will be applied to the current AWC A-102 Plus price on a separate line-item basis which equals an additional \$0.273 per pound. The emergency surcharge will be lifted as soon as the supply chain returns to normal.

We have attached, for your review, a revised AWC-A-102 Plus sample price quote that includes the Emergency Chemicals Shortage Surcharge based on the City's AWC-A-102 Plus contract price. In addition, we also have attached the most recent China Yellow Phosphorous raw material price chart for your review.

Shelby, we do realize that this is a steep price increase, and we're here to work with you during these unprecedented times. The surcharge would be lifted as soon as material costs return to normal. Implementing this surcharge ensures that we can provide stable pricing and continuous supply to all our customers for at least 6-months.

Please feel free to contact me if you have any questions or require additional information. We thank you for your patience and understanding in this matter. As always, we, at AWC, sincerely appreciate your business!

Thank you!

Tim Rees

Regional Sales Manager – Southeast



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American Water Chemicals

QUOTATION

CUSTOMER ADDRESS	
City of Port St. Lucie 900 South East Ogden Lane City of Port St. Lucie, FL 34983 bserrano@cityofpsl.com BHirsch@cityofpsl.com	
TEL:	(772) 871-7330 FAX: (772) 873-6405

DATE :	10/11/2021
QUOTATION # :	21-03-610
SHIP. TERMS :	FOB Factory
Expiration Date:	10/31/2021
YOUR REF# :	21-03-610

QUANTITY	UNITS	DESCRIPTION	UNIT PRICE	TOTAL:
9,013	LBS	AWC A-102 PLUS, BULK, 1000 gallons	0.78	7,030.14
9,013	LBS	Emergency Chemicals Surcharge (35%): A-102 Plus	0.273	2,460.55
		AWC A-102 PLUS, SPLIT BULK DELIVERY - NO CHARGE		

TOTAL: \$9,490.69

PAYMENT TERMS: Net 30

SALES REP.

TR

E-mail: customerservice@membranechemicals.com

AWC Form 145 R10 10-02-20

China Phosphorus yellow Spot Price



Phosphorus yellow 2021-07-07 - 2021-10-05 (Unit: RMB/ton)

High-class; Content in benzene: $\geq 99.90\%$;

