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Steve Hansen
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Hassan Ahmed
Alembic Global

Milan
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Laurence Alexander
Jefferies

John Roberts
UBS

Robert Kwan
RBC Capital Markets

Cherilyn Radbourne
TD Securities

Christopher Perrella
Bloomberg Intelligence

Daniel Jester
Citibank

PRESENTATION

Operator

Welcome to the Methanex Corporation Q3 2016 Earnings Call. I would now like to turn the conference call over to Ms. Sandra Daycock, Director of Investor Relations. Please go ahead, Ms. Daycock.

Sandra Daycock, Director, Investor Relations

Thank you. Good morning, ladies and gentlemen. Welcome to our third quarter 2016 results conference call.

Our 2016 third quarter news release, Management's Discussion and Analysis, financial statements, and presentation slides summarizing the Q3 results can be accessed from the Reports tab of the Investor Relations page on our website at www.methanex.com.

I would like to remind our listeners that our comments and answers to your questions today may contain forward-looking information. This information, by its nature, is subject to risks and uncertainties that may cause the stated outcome to differ materially from the actual outcome. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections which are included in the forward-looking information. Please refer to our third quarter MD&A and to our 2015 Annual Report for more information.

I would also like to caution our listeners that any projections provided today regarding Methanex's future financial performance are effective as of today's date. It is not our policy not to comment on or update this guidance between quarters.

For clarification, any references to revenue, EBITDA, cash flow, or income made in today's remarks reflect our 63.1 percent economic interest in the Atlas facility and our 50 percent economic interest in the Egypt facility. In addition, we report our adjusted EBITDA and adjusted net income to exclude the mark-to-market impact on share-based compensation and the impact of certain items associated with specific identified events. We report these non-GAAP measures in this way to make them a better measure of underlying operating performance and we encourage analysts covering the company to report their estimates in this manner.

I would like to now turn over the call to Methanex's President and CEO, Mr. John Floren, for his comments and a question-and-answer period. John?

John Floren, President & Chief Executive Officer

Thank you. Good morning.

Our financial results improved in the third quarter of 2016 due to higher methanol pricing and record sales volume. During Q3 we recorded adjusted EBITDA of $74 million and an adjusted net loss of $1 million or a $0.01 loss per share. This compares to adjusted EBITDA of $38 million and an adjusted net loss of $31 million or $0.34 loss per share in Q2. Our average realized price increased from $223 per tonne in Q2 to $236 dollars per tonne in Q3. Sales of produced methanol increased from 1.69 million tonnes in Q2 to company record of 1.86 million tonnes in Q3 and our total sales volumes in Q3 was just under 2.5 million tonnes, which is also a company record.

Methanol prices began to trend upward late in the third quarter, which we believe is attributable to a number of factors. The cost of coal-based production in China increased due to the rising thermal coal prices and we now estimate the high end of the cost curve to be in the range of US$240 to US$260 per tonne. The cost curve is consistent with spot prices in China today, which are around $260 and $270 per tonne. Further, a number of planned outages in the Middle East, Southeast Asia, and Trinidad contributed to a tightening of global supply. These factors, as well as strong demand, led to an increase in contract prices across all regions in the quarter. Prices have continued to increase as we begin Q4. Our posted price in Asia increased $25 a tonne in November to US$310 per tonne and in North America our November posted price increased $26 a tonne to US$319 per tonne. Our European price was adjusted upward €10 per tonne for Q4 to €250 per tonne.

Overall methanol demand growth was healthy in Q3. We estimate total Q3 demand at 16.8 million tonnes, representing a year-over-year industry demand growth rate of around 10 percent. Methanol to olefins, or MTO, demand continued to lead growth as the MTO plants operated at higher average operating rates of more than 80 percent in Q3 supported by positive cash margins. We expect two more MTO plants to be completed in the coming months and a third in 2017 with the three plants able to consume up to 4.5 million tonnes of methanol based on their announced capacity. Chemical demand was also strong in the quarter as we saw solid demand from traditional chemical applications.

Waterfront Shipping took delivery of two more 50,000 deadweight tonne vessels capable of running on methanol. The remaining seventh vessel is expected to be delivered in November. Also during the quarter Waterfront Shipping was nominated for Company of the Year for the 2016 Lloyd's List Global Shipping Awards. I'm proud to say that Waterfront was honoured with the designation of highly commended in that award category in recognition of our investment in these clean burning methanol dual fuel vessels and our leadership in the shipping industry.

Our plants continued to run well during the quarter and produced 1.75 million tonnes, down slightly from our record production of 1.77 million tonnes achieved in Q2. Our overall plant reliability remains much better than we recorded in the past few years. In North America, our Geismar plants continued to operate at strong rates. Our Medicine Hat facility was idle due to a technical issue during the quarter which resulted in lost production of about 30,000 tonnes. We continue to be frustrated with the ongoing technical issues at this site, which is leading to lower production relative to capacity despite of difficult capacity capital investment over the past two years.

In New Zealand our facilities ran at an annualized rate of 2.2 million tonnes, which is an excellent performance and represents full operating rates based on natural gas composition.

Our Egypt facility continues to operate as reduced rates in Q3. The plant was taken off-line for planned maintenance activities for approximately 40 days during the quarter. We continue to expect the plant subject to be subject to gas restrictions in the near term, although the medium-term outlook for gas supply in the region is improving as activities progress to develop new reserves, including the Zohr field. Since we started up this plant in 2011 we have experienced 55 plant cycles, which could lead to additional technical issues over the coming months and years.

Our Chile plant produced 68,000 tonnes of methanol during the third quarter. The plant underwent planned maintenance for approximately 30 days and restarted in early August. We continue to make significant progress in securing additional gas supply from our Chile plant. In July we reached an agreement with our main gas supplier, ENAP, for additional gas supply through until May 2018 and we also amended and extended our gas supply agreement with GeoPark. Our combined gas supply commitments from these and other sources are expected to allow our 880,000 tonne Chile I facility to achieve an annual operating rate of approximately 60 percent of capacity on average through May 2018. We continue to believe that increasing our Chile production represents our lowest capital cost growth opportunity. As further progress is made in lowering the cost of developing Chilean gas reserves, we are optimistic that additional competitively priced gas could become available in the near future.

In Trinidad we continue to experience gas restriction of approximately 15 percent during Q3. We expect the rate of gas curtailments in Trinidad to remain in the order of roughly 15 percent.

We ended the quarter with $234 million in cash. Methanex's share of the cash, including our proportionate share of Egypt and Atlas cash, increased $5 million to $213 million during the quarter. At current Q4 contract prices we expect cash generation, excluding any impact from working capital, to be more than sufficient to cover debt service requirements, our dividend, and maintenance capital, which we estimate at this time to be around $100 million from October 1st until the end of 2017.

The outlook for the fourth quarter is positive. We expect higher average methanol prices in Q4 than in Q3 and production is expected to be similar to Q3. As a result, we expect EBITDA to be higher in Q4 2016 compared to Q3.

I would now be happy to respond to any questions.

QUESTION AND ANSWER SESSION

Operator

We will now take questions from the telephone lines. Once again, please press star one at this time if you have a question. If you are using a speakerphone, please lift your handset before making your selection. Please limit your enquiry to one question plus a follow-up question. After that, if you have further questions, please rejoin the queue.

The first question is from Jacob Bout of CIBC. Please go ahead.

Jacob Bout, CIBC World Markets

Good afternoon. I had a few questions around the Geismar, the G1 renegotiation. Are there any fees associated with that and, as it stands right now, is there any price participation for that contract?

John Floren, President & Chief Executive Officer

There's no fees associated with the assignment of the contract, if that was the question.

Jacob Bout, CIBC World Markets

But was there like a break fee or anything like that?

John Floren, President & Chief Executive Officer

We're not involved in, we don't know the details if there was break fee between the two negotiating parties. Certainly we didn't have to pay any additional fees.

We had to apply consent of the contract to be assigned, which we did in exchange for some benefits for Methanex. So, as a result, our gas price today is slightly lower than it would have been under the old contract.

Jacob Bout, CIBC World Markets

Okay. Does this change the guidance that you've given historically for how we should be thinking about natural gas costs for the overall company?

John Floren, President & Chief Executive Officer

Sure. About a third of our gas today is not linked to methanol pricing, so the previous guidance was about a third, um, sharing above certain methanol prices. It's probably like a quarter today.

Jacob Bout, CIBC World Markets

Okay. But there was a base price previously so you're saying the base price is unchanged so I'm assuming that base price must be higher than areas where you did have that price participation.

John Floren, President & Chief Executive Officer

Yeah, as we said in the release, the base price hasn't changed. We don't comment on individual gas contracts.

Jacob Bout, CIBC World Markets

Okay. Maybe just as a second question here, just on Trinidad, I mean we've been dealing with these gas curtailments for a long time, and it's not only you, it's the nitrogen producers and others in the area. How do you look at this longer term? Does it get any worse in your mind? How are you thinking about that?

John Floren, President & Chief Executive Officer

There's some new developments coming on in Trinidad. The big one is the Juniper field that BP is bringing on. There's also some work on land to increase compression. So we would expect restrictions to be around 15 percent going forward with some improvement in the next 24 months, but until we see it we're cautious.

Jacob Bout, CIBC World Markets

All right. Thanks a lot, John.

Operator

Thank you. The following question is from Steve Hansen of Raymond James. Please go ahead.

Steve Hansen, Raymond James

Yeah, hi, John. Just a quick one on the concept of buybacks in the future. You suspended the buybacks some time ago on the depressed methanol price environment. It's obviously had a small uptick off the bottom. At what point will you guys be comfortable in sort of reigniting the buyback program?

John Floren, President & Chief Executive Officer

Well, nothing has really changed, Steve, to our strategy about cash distributions. Three uses of cash: growing the company, dividend, and buying back share. So that hasn't changed. We have some unique opportunities we think in Chile to grow our business by another 1.5 million tonnes for roughly $100 million of capital over the coming years. We have some privileged projects in Medicine Hat and Geismar that we're continuing to focus on. I don't think any significant capital spend on those in the coming 12 to 18 months, but we're continuing to spend some money there. Our dividend, you know, three pillars, sustainable, growing, and meaningful. It's certainly meaningful today. It's sustainable, as we've proven at the bottom of the cycle, and we didn't grow it this year. So we continue to look at the dividend and any excess cash beyond that we'll use it for share buybacks, and that looks pretty attractive in today's market. You know, we're trading at around $550 a tonne of capacity, so I think share buybacks look, for us, pretty attractive in the current situation.

Steve Hansen, Raymond James

Okay. Helpful. And then just on the Chilean gas then, it does strike me as well that that's a low-cost opportunity for you guys, but can you give us a sense for how much lower the gas price needs to whittle down before you get the confidence to execute on sort of that next layer of contracts for the first plant and then, I guess secondarily, for the additional plant that's still idle?

John Floren, President & Chief Executive Officer

We're pretty happy with the gas price right now, so it doesn't have to whittle down any more. I think it's more of supply. We believe there's an enough gas that's been developed and available, excluding Argentina for a one-plant operation, so, ah, for quite some time. There is more development. I was down there just last week and there's a lot of exciting things happening in the basin and we're really optimistic that we'll see more gas for a second plant. So I think it just has to be developed and the economics are looking quite favourable.

Steve Hansen, Raymond James

Okay. That's it for me. Thanks, guys.

Operator

Thank you. The following question is from Hassan Ahmed of Alembic Global. Please go ahead.

Hassan Ahmed, Alembic Global

Good morning, John. John, reading through the press release you talked about 10 percent annualized demand growth year on year, obviously an impressive number. And again in there you talked about how beyond MTO conventional methanol demand was looking quite good as well. So just trying to get a sense, you know, acetic, formaldehyde and the like, are they trending above normal? I mean, you know, typical sort of 3 percent demand growth that historically you've seen.

John Floren, President & Chief Executive Officer

Yeah, when we look at the demand growth Q3 over Q3, like 12-month period, it was a 10 percent growth rate. The traditional chemical derivatives grew at 5 percent in that period, which is quite strong. And then non-traditional energy were 19 percent. So when you combine them together we saw 10 percent, which is quite healthy.

Hassan Ahmed, Alembic Global

Wow, yeah, big number. Absolutely. Now, shifting gears a bit, obviously we've seen some big moves up in coal prices, but it just seems that, you know, depending on the grade of coal that you are using, you know, you've seen some divergent pricing moves. So could you just give me a sense of, you know, as you look at the cost curve and you look at that big number in the cost curve that comprises of Chinese coal-based production, can you help me decipher between high grade versus low grade and how this sort of divergent pricing movement will flow through in terms of cost curve, in terms of market pricing and the like?

John Floren, President & Chief Executive Officer

The high end of the cost curve today is still being made up by anthracite coal and natural gas. You know, anthracite coal hasn't moved to the same extent as thermal and natural gas hasn't moved at all and they tend to move that price based on oil, which is 50. So we may simply see some increases there. We haven't seen anything yet.

But I think the Chinese have been pretty clear on what they're trying to do with their coal resource and maybe they've over baked it a little bit, who knows? We continue to monitor it but certainly the cost curve has risen by about $40 in the past 60 to 90 days, so that's quite positive.

Hassan Ahmed, Alembic Global

Super. Thank you, John.

Operator

Thank you. Once again, please press star one at this time if you have a question. If you are using a speakerphone, please lift your handset before making your selection. Please limit your enquiry to one question plus a follow-up question. After that, if you have further questions, please rejoin the queue.

The following question is from Joel Jackson of BMO Capital Markets. Please go ahead.

Milan, BMO Capital Markets

Thanks. This is Milan on for Joel today. Just a question here, you know, you talk about three MTO plants starting up through end of 2017. What's the outlook beyond that and, you know, is there another MTO wave to come? And if there is, how long does it typically take from, say, construction or decision to build one to actual ramp up?

John Floren, President & Chief Executive Officer

There's another wave of all the books but I would say in the current environment unlikely that a lot of those projects would go forward. Naphtha pricing has been quite low and hasn't even followed traditional ratios to oil. To build one of these, probably 18 to 24 months, something like that. It depends on how big the complex is and all the associated derivatives and the tie-ins. I think sometimes the easy part is the actual MTO facility but it's all the other tie-ins to the methylene glycols, propylene oxides, et cetera. But we continue to have a long list that we watch on a regular basis and beyond this first wave we could have to see naphtha pricing and oil pricing adjust a little bit further before you'd see further investments.

Milan, BMO Capital Markets

Okay. And then can you help us understand the tax rate in the quarter? I remember some previous commentary talking about maybe the tax rates being a little wonky when prices are low or moving rapidly but like how do we model this going forward?

John Floren, President & Chief Executive Officer

I'll let Ian Cameron, our CFO, take a stab at that one.

Ian Cameron, Chief Financial Officer

Yes, in terms of taxes, as I've said before on other calls that when you get into these low earnings environments you tend to get unusual tax rates and a couple million dollars of taxes can have a huge impact on the rate but the absolute number is not big a difference, and it could be caused by a whole bunch of things like foreign exchange, where the product is sold, things like that. So you'll get unusual tax rates (inaudible) low pricing or low earnings levels. Structurally, when we think about a long-term prices of, say, 300 to 450, our guidance has been 20 percent to 25 percent, and that guidance is still valid.

Milan, BMO Capital Markets

Thank you.

Operator

The following question is from Laurence Alexander of Jefferies. Please go ahead.

Laurence Alexander, Jefferies

Good afternoon. Two questions. One is can you give an update on the progress you made evaluating a possible site in Medicine Hat, particularly any possible government subsidies for such a project? And secondly, once the outages at competitors end, what do you see keeping, as the factors that will keep the Atlantic price above the Asia, above the Pacific price for the methanol contracts?

John Floren, President & Chief Executive Officer

Sure. So as far as Medicine Hat, we're anxiously awaiting decision by the government, which we understand could come in the coming weeks, but we don't have a specific date. We think our project is exactly the kind of project that the government was looking for to invest in. Having said that, we don't have any inside information that we're going to be approved, but we're optimistic that we will get royalty subsidies for gas. So we're anxiously awaiting that and we're quite optimistic.

As far as the basin balances, it's hard to predict how the industry is going to operate. If I look at the first two quarters of this year the industry operated well above historical averages and the second two quarters we're back to where we were historically. Having said that, we normalize things. Our view on the basin balance, a premium in the Atlantic would be around $10 to $20 a tonne, and that's really as Middle Eastern product would prefer to flow to Asia as opposed to Europe or North America on average. That's what our current planning scenario looks like and until we see different that's what we'll continue to focus on.

Laurence Alexander, Jefferies

And I guess maybe if I can fit in a third, could you just give an update on your experience with the methanol-fueled ships, sort of what you're seeing in terms of are they performing as expected?

John Floren, President & Chief Executive Officer

Well, it's the first time anybody has done this and we've had a few small technical issues, but nothing major. It's only been a few months. I think we've run over 50 days with methanol and we're quite excited about what we're seeing and until we actually run a ship for six months to get the data that confirming what we expect on emissions and efficiencies it's probably too early to comment beyond that, but the five of the six ships have (inaudible) methanol and we take the seventh ship next month. So I think it's too really early but we're quite excited to be doing this and to introduce methanol as a fuel not only for ferries but now for oceangoing vessels.

Laurence Alexander, Jefferies

Thank you.

Operator

Thank you. The following question is from John Roberts of UBS. Please go ahead.

John Roberts, UBS

Thank you. Could you give us an update on the global capacity addition outlook?

John Floren, President & Chief Executive Officer

Sure. So Iran is a little opaque but we estimate between now and 2019 about four million tonnes coming on in Iran, and besides that we have a plant in the United

States somewhere late next year, early 2018, the nat gas project, and about three million to four million tonnes in China between now and 2019.

John Roberts, UBS

And then we've had both oil and Chinese coal move up during the quarter. If coal were to reverse, do you think oil has moved up enough to support prices roughly where we currently are or do you think we'd backtrack a fair amount if coal were to reverse in China?

John Floren, President & Chief Executive Officer

I never like to predict price, John. So we look at supply/demand balance and we're quite pleased with the healthy demand growth that we're seeing. 10 percent year over year is quite solid and we got another 4.5 coming in the coming months. So we expect demand to continue to outstrip supply, which will lead to a market where high cost producers need to run in order to keep things balanced. What that leads to in price, I'm not going to go there.

John Roberts, UBS

Okay. All right, thank you.

Operator

Thank you. The following question is from Robert Kwan of RBC Capital Markets. Please go ahead.

Robert Kwan, RBC Capital Markets

Good morning. If I can just come back to Medicine Hat, John, you referenced the outages that you've had and I'm just wondering what you've had in Q2, Q3. Were those related or are they different issues? And ultimately just how do we think about the run rates and the time to kind of get the work done going forward?

John Floren, President & Chief Executive Officer

One was related and one was unique. Both related to design, not to operation. So, really frustrating for us. We've spent a lot of money to get that plant to run at high rates and you get a design issue from the original days of the plant that surfaced a couple of times and now we have to find a more permanent solution, which is going to impact us, and until I see the plant running at high rates on a consistent basis I'll reserve my comments.

Robert Kwan, RBC Capital Markets

Is it a situation where you're still trying to work through what a fix might be or do you know what it is and you just have to engineer it and get it put in place?

John Floren, President & Chief Executive Officer

Yeah, we, unfortunately, know what it is and we've got a solution that we're implementing. The length of time is a little unclear at this point but we have a solution.

Robert Kwan, RBC Capital Markets

Okay. My second question also relates to Medicine Hat and you've benefitted from lower Alberta gas prices. I'm just wondering can you talk about where you are with the hedges for those plants in terms of the duration and, with that, are you taking a corporate view on the hedging strategy going forward just given some of the pipeline talks that may have, that could have implications to narrow the Alberta basis against the rest of North America?

John Floren, President & Chief Executive Officer

Yeah, we're kind of happy with where we're at right now with hedging. We've started to layer in a bit of gas for Medicine Hat in the 2020 period. So that's relatively new. But we are in the $2 to $3 range for hedges. I think we're pretty well covered for the next few years and then as you get to 2018, 2019, half covered or 60 percent, something like that. I can get you the exact numbers offline. But we're pretty happy with where we're at, certainly for Geismar, where you shouldn't expect us to layer anymore hedges in there at this point. We've got enough gas covered for ten years that allow us to run those two plants at 70 percent if the spot market does blow out. And we've got sufficient pipeline capacity there, so we're not worried about that. And we do see Western Canadian gas continuing to be at a discount to US Henry Hub, so we might layer in a little bit more for 2020 at current pricing, which is, I think, below $2.50, but beyond that I think we're pretty happy with where we're at.

Robert Kwan, RBC Capital Markets

That's great. Thanks very much, John.

Operator

Thank you. Once again, please press star one at this time if you have a question. If you are using a speakerphone, please lift your handset before making your selection. Please limit your enquiry to one question plus a follow-up question. After that, if you have further questions, please rejoin the queue.

The following question is from Cherilyn Radbourne of TD Securities. Please go ahead.

Cherilyn Radbourne, TD Securities

Thanks very much and good morning. Most of my questions have been asked but maybe I can get to you to comment on the situation in Trinidad during Q3. And I guess what I'm driving at there is there had been speculations certainly in some of the industry publications that there might be greater than normal gas restrictions as a result of some platform work that was occurring, but your plant seemed to have operated in line with the long-term guidance you've given regarding gas restrictions.

John Floren, President & Chief Executive Officer

Well, don't always believe everything you read in an industry publication. Not all of it is accurate. They get information from a number of different sources. All we know is what we know about our operations and I wouldn't speculate about our competitor or the ammonia industry down there.

What we've been told is what we've been seeing. So we do expect to have about 15 percent restrictions and that's what we've been experiencing. I can't really comment on others and their particular situation and whether their gas contracts expire, I don't know. I just know our situation.

Cherilyn Radbourne, TD Securities

Okay. That's fair. And then very quickly, how much importance to the industry do you think the upcoming decision on sulphur emissions from the IMO may have?

John Floren, President & Chief Executive Officer

Well, I think it's great news. I think so they announced, I believe it was today or yesterday, that the 0.5 sulphur limit will come into effect in 2020. So there was some talk it might be 2025. Now that it's 2020 then shippers are going to have to do something quicker than they were thinking and methanol is part of that solution. I think people are still waiting to see how we do with our ships and our trials but there is certainly a lot of interest and a lot of publication and press about methanol. It won't be the solution; it will be part of a solution. You'll see probably some LNG, you'll see sulphur marine diesel, et cetera, but longer term we're very excited about the potential for methanol, especially as these tighter regulations not only on sulphur but we would expect particulate matter and nitrogen also to be tighter in the future, and methanol is a nice fuel to meet all those new requirements as well as it's renewable. And I know shipping companies are looking for fuels that over the long term could be made from renewable sources like CO_2 like we're doing in Iceland. So there's a lot of exciting things about methanol as a fuel and, again, on a scale of one to ten we're probably at a stage or step one. So we will continue to monitor this but that ruling is certainly going to be favourable for methanol versus 2025.

Cherilyn Radbourne, TD Securities

Great. Thank you. That's all for me.

Operator

Thank you. The following question is from Christopher Perrella of Bloomberg Intelligence. Please go ahead.

Christopher Perrella, Bloomberg Intelligence

Thank you. On the capital spending, what are some of the growth projects or projects you could you pull if the methanol environment or market improves in 2017?

John Floren, President & Chief Executive Officer

Yeah, I've mentioned earlier that the Chile projects for about $100 million once we get comfortable with the gas situation being enough for two plants I think you would expect us to spend $50 million in the next 24 months and another $50 million towards the end of the decade if everything works out on the gas supply. The Geismar 3 and the Medicine Hat 4 project, they're both looking to be projects that are better than brownfield and much better than greenfield. We're awaiting the Alberta royalty decision, which, if it's positive, certainly puts that project even in a better position than we're looking at today. And I think for us we'd have to see a little higher pricing. We still believe the long-term price of methanol is well north of where we are today, but we'll continue to work on those projects. And it's not just the price of methanol. There's other things. You know, transportation to the coast for the Medicine Hat plant as well as being able to execute, i.e., construction labour is pretty tight in the US Gulf. It looks to be a little better in Alberta. So there's a number of different factors, it's just not methanol price, but we want to be in a position at the right time to execute on either or both those projects and we still believe to construct plants in the North American environment today you're talking $1,000 a tonne. So that's the kind of capital that you'd be looking at over $1 billion. We'd like to have a partner, a partner that can bring gas and maybe take methanol, working on that as well. So those two projects we'll continue to work on and at the appropriate time when we have all these boxes checked, we'll execute.

Christopher Perrella, Bloomberg Intelligence

All right. Thank you.

Operator

Thank you. The following question is from Daniel Jester of Citibank. Please go ahead.

Daniel Jester, Citibank

Good morning. So when you've seen these outages that you mentioned in your press release in the Middle East, Southeast Asia, et cetera, have you seen the Chinese producers actually ramp up production rates? And maybe just any updated thoughts on the ability of the Chinese to flex capacity in periods when you see higher prices.

John Floren, President & Chief Executive Officer

Time will tell on that one, Daniel. We continue to see a lot of imports into China. We continue to see, in the last two quarters, a fairly significant inventory draw. So the excess production or idle production has not anywhere been close to making up for what the production rates were in the first quarter of this year. So it's kind of a watching space but we haven't seen the ramp up in Chinese production come anywhere close to compensate for what's been lost.

Daniel Jester, Citibank

And you mentioned that you brought down some of your own inventories in the quarter, I think by about 100,000 tonnes. Can you just comment where your inventory levels are today relative to normal?

John Floren, President & Chief Executive Officer

Yeah, we're quite comfortable where our inventory levels are. I think what we drew down was produced inventory. So I think where our inventories are today is where you should expect them to be. As we grow our sales we might add some inventory, but I think we'll grow our sales in line with our production and our next increase in production will come from Chile. So stay tuned.

Daniel Jester, Citibank

Thank you very much.

Operator

Thank you. The following question is from Steve Hansen of Raymond James. Please go ahead.

Steve Hansen, Raymond James

Oh, hi, John. Just want to circle back quickly on the Egypt plant. I think you made some reference to the plant being through 55 cycles at this point. Can you just explain what that means in terms of future maintenance dollars and how we should think about that going forward?

John Floren, President & Chief Executive Officer

Yes. Thanks, Steve. These plants like to run at 100 percent. They're designed to run at 100 percent. I'll remind you at the front end very high temperature, almost 100 degree C, so they like to be steady. When you have a plant cycle 55 times, what does that mean? Well, shut down, start up, lower the operating rate, sometimes a hard shutdown. So plants don't like that and it's difficult to predict the impact of that kind of operating structure on the technical and structure of the plant going forward. So just being cautious saying that until we see steady gas that allows us to line the plant and run it at a steady rate, based on our previous experience with plants we may run into some technical issues that we're not anticipating. We haven't had a turnaround at that plant since it started up. We have been doing patchwork, I would say, and in a very difficult environment, you know, through what's happened in the country. So these plants are designed to run at full rates and come down every three to four years for a turnaround and that certainly hasn't been our experience in Egypt.

Steve Hansen, Raymond James

Okay. Much appreciated. Thanks.

Operator

Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Floren.

John Floren, President & Chief Executive Officer

Well, thank you. We believe that we witnessed the bottom of the current methanol price cycle in Q2 of this year. We're committed to remaining focused on prudent cost management and maintaining a solid financial position as we navigate out of a challenging period for the methanol industry. With our focus on safety and reliability we have emerged a stronger company with an outstanding asset portfolio. We're in an excellent position to generate strong cash flows for shareholders as the methanol price improves. Thank you for the interest in our company.

Operator

The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.
