



Industry Update: Helium Shortage 4.0

Concerns about the supply and price of helium have been top of mind lately for many in the balloon industry. New reports have raised questions about the adequacy of the supply and potential increases in the cost of helium.

We have spoken with some members who closely monitor helium activity and we would like to share their insights.

The supply & demand cycle

Fears about having available supplies of helium to meet anticipated demand tend to occur every few years. The last three shortages occurred in 2007/08, then 2012/13, most recently in 2019 and now in 2022. Helium is a commodity, just like gasoline, prices can and do fluctuate based on supply levels, demand, and world events.

We are in a downturn right now, but past experience has taught us that, as a resilient industry, we can adjust and look for ways to address these challenges.

Are we running out of helium?

Time to set the record straight. The world is NOT running out of helium. The problems we are facing are attributed to supply chain, mechanical, logistical, or geopolitical factors, not a lack of helium molecules.

There is plenty of helium in the ground, but the process of extracting it involves complicated processes and difficult logistics, which contribute to the challenge of making additional helium supplies a reality in the short term.

Maintenance and mishaps

The current helium imbalance is the direct result of a series of unfortunate events. Maintenance, mishaps, and now a war between Russia and Ukraine all contribute to the current helium imbalance.

- **United States:** Operations at the U.S. Bureau of Land Management's (BLM) crude helium enrichment unit have been shut down primarily for a four-month maintenance outage that occurred in January. BLM had numerous OSHA violations that need to be corrected before they will be able to go back online. BLM is expected to resume normal operations once the maintenance is completed but there is no exact time frame yet.
- **Russia:** In September of 2021, after only producing helium for a few weeks, the Amur plant in Russia was taken down for maintenance. Then a fire in October and a second fire and explosion in January halted helium production indefinitely. Experts state that helium from Amur could make it to the marketplace sometime in 2023, with the plant reaching full capacity production in 2024. The potential helium from this plant and these fields will be significant. However, with the unrest between Russia and Ukraine and trade sanctions being instituted this future is unclear.
- **Qatar:** Operations in Qatar are also down due to scheduled maintenance, but the helium supply provided by this facility alone is said to be insufficient to meet the demand of the current marketplace.

- **North Africa:** Operations at the Arzew, Algeria source are down. We haven't heard what the exact problem is but believe that natural gas has been diverted from the LNG plants at Arzew to the pipeline to Europe. Helium is not extracted from the pipeline gas. If this explanation is correct, then this would be a side effect of the war in Ukraine.

How long will this last?

Due to the extreme uncertainty surrounding this issue, this is hard to predict. Sources are reporting, and we are hearing, that it could take anywhere between 4 and 12 months before we start to see things improve. However, improvements will hinge on when the BLM comes back online, and Qatar and Arzew resume normal operations. At this point we can't count Amur in the equation to be able to make significant contributions to the supply. We recommend hoping for the best and planning for the worst.

What about the cost?

Helium demand has not experienced net growth over the last 10 years, but prices are going up due to supply shortages. Prices in the U.S. have not changed significantly, but in Mexico, prices have recently risen by 25%.

What about balloon-grade helium?

The bright side of the higher prices is the increased attractiveness of the production of lower-grade helium, such as balloon-grade, as a primary product (not tied to production of another gas). The result is more lower-grade helium in the market than during previous periods of tight supply. Since this helium can only be used for lifting, and not for high-end uses like MRI's, it is a benefit to our industry.

Allocation of helium

The bigger issue is the scope of allocation. The major industrial gas companies have declared a "force majeure" and are all allocating at around 50%. Therefore, if you were getting 10 tanks per month you may only get 5 tanks going forward until the supply situation improves.

Think outside the box

Knowing that helium supplies will be constrained over the next few months, now is the time to get creative and think differently about how you use and sell your products. There are a lot of creative ways to use air instead of helium to make your products interesting and more marketable. Create options for your customers using your catalog of balloons, there are great ideas on Pinterest and other internet sites that are extremely colorful and creative.

Stay informed

There are many news outlets and sources to choose from, but the specialized and mainstream press can tend to focus on "drama" or "crisis" or stories may be veiled attempts at advertising instead of reporting the facts. One of the most reliable sources for timely and accurate information on the helium market is <https://www.gasworld.com/> and you can visit their website or sign-up to receive their free newsletters.

Sincerely,



Dan Flynn, TBC Chairman



Ed Buschbacher, Treasurer



Cindy Mark, Board Member