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ExxonMobil Publishes Report on Pulse of Base Oil Market

ExxonMobil announced last Wednesday it has published its inaugural, first-of-its-kind report on the global base oil industry, titled, ExxonMobil Basestocks 2018 Industry Pulse Report, in partnership with KRC Research, a global research consultancy. Based on viewpoints from hundreds of decision makers in the industry, the report uncovers insights into the ever-evolving market. The report is designed to help pinpoint industry drivers, evaluate the base oil landscape and explore current trends. "We found the insights from the ExxonMobil Basestocks 2018 Industry Pulse Report particularly informative and because of this, we decided to share this broadly, in an aim to help educate the industry for the changes the future may bring," said Ted Walko, Global Basestocks and Specialties Marketing Manager at ExxonMobil. The ExxonMobil Basestocks 2018 Industry Pulse Report revealed that nearly 75 percent of base oil decision makers view Group II base oils as the "heart" of the market. The survey found that currently only 18% of companies are using Group I, 34% are using Group II and 32% are using Group III (additionally, 9% are using Group II+ and 6% are using Group III+), but in 10 years, projected usage will be 10% Group I, 33% Group II and 36% Group III base oils. In addition, the report showed that Group II base oils are seen as the most important to the automotive (34 percent), marine (31 percent), industrial (37 percent) and commercial vehicle (41 percent) industries. While base oil decision makers in Europe, the Middle East and Africa (EMEA) are least likely to say that Group II base oils are the heart of the market (60 percent), more than half (52 percent) said they would likely transition away from Group I and/or Group III base oils if they had access to a Group II manufacturer. "We pride ourselves on having a strong lens into the industry and these results substantiate why we are committed to investing in expanded Group II supply through our three, strategically located refineries in Baytown, Texas; Jurong, Singapore; and Rotterdam, Netherlands," Walko added. One-third of base oil decision makers said that while demand for Group I base oils has decreased at the highest rate, when compared to other base oil groups, they still see its importance. Seventy-two percent admit the decline in Group I demand has had a significant impact on the industry. Decision makers ranked Group I's top three benefits with viscosity (54 percent) in the top spot, closely followed by its solvency (49 percent) and affordability (46 percent). "We recognize that Group II is not a perfect fit for all applications and this report affirmed our confidence in Group I and the value it will continue to play in the base oil industry," Walko explained. According to the report, a majority believe the current API standards are sufficient for formulating and manufacturing engine oil. Sixty-one percent of decision makers concurred, and slightly more than one-quarter (27 percent) disagreed, calling for an adjustment now. Some believe (12 percent) that the standards should be adjusted within the next 10 years. The survey found that while more than three-fourths (77 percent) are concerned about the increased implementation of fuel economy and emissions regulations, they feel confident that the base oil industry will keep up. Eighty percent asserted their confidence in the base oil industry's ability to keep up with evolving regulations. Two-thirds believe that Group II or Group III base oils can best handle an increase in more stringent fuel economy and emissions regulations. ExxonMobil currently has a combined production capacity of 72,600 barrels per day of Group I base oils at six plants (Baton Rouge, Louisiana, 16,000 b/d and Baytown, Texas, 9,800 b/d, in the USA; Port-Jérôme-Gravenchon, France, 12,000 b/d; Augusta, Italy, 14,000 b/d; Fawley, UK, 7,800 b/d and Pulau Ayer Chawan, Singapore, 13,000 b/d). The company has 2 plants that produce Group II base oils (Baytown, Texas, 18,200 b/d, and Jurong Island, Singapore, 31,000 b/d) with a combined production capacity of 49,200 b/d and has two plants that produce Group III base oils (Fawley, UK and Port-Jérôme-Gravenchon, France) with a combined capacity of 2,000 b/d, 1,000 b/d each. In addition, ExxonMobil is building a 20,000 b/d (estimated) Group II base oil plant in Rotterdam, The Netherlands, scheduled to start up later this year and is adding 6,000 b/d Group II capacity to its existing 31,000 b/d capacity Jurong Island plant in Singapore by 2019. This will bring ExxonMobil's global base oil production capacity to 72,600 b/d of Group I base oils, 75,200 b/d of Group II base oils and 2,000 b/d of Group III base oils. For more information, the full report can be downloaded here:

<https://www.exxonmobil.com/en/basestocks/news-insights-and-resources/industry-insights/2018-industry-pulse-report>.

ADNOC to Invest USD45 Billion to Become a Leading Downstream Player

The Abu Dhabi National Oil Company (ADNOC) on Sunday May 13, 2018 unveiled plans to invest AED 165 billion (US \$45 billion) alongside partners, over the next five years, to become a leading global downstream player. The plans were unveiled at the ADNOC Downstream Investment Forum, which took place in Abu Dhabi, UAE. The company said the unprecedented investment program will underpin a new downstream strategy to significantly expand ADNOC's refining and petrochemical operations at Ruwais in the UAE, and undertake highly targeted overseas investments to secure greater market access. Building on the existing strengths and competitive advantages of the Ruwais Industrial Complex, ADNOC will create the world's largest and most advanced integrated refining and petrochemicals complex. Through a combined program of strategic partnerships and investment, ADNOC said it will increase its range and volume of high-value downstream products, secure better access to growth markets around the world and create a manufacturing ecosystem in Ruwais that will significantly stimulate In-Country Value creation, private sector growth and employment. The strategy is expected to add more than 15,000 jobs by 2025 and contribute an additional 1% to GDP per year. H.E. Dr Sultan Ahmed Al Jaber, UAE Minister of State and ADNOC Group CEO, said: "Given the projected increase in demand for petrochemicals and higher value refined products, we are repositioning ADNOC to become a leading global downstream player. We will invest significantly in Ruwais and open up attractive partnership and co-investment opportunities along our extended value chain to create a powerful new downstream engine and springboard for growth that will benefit our country, our company and our partners." "Importantly, the expansion plans for Ruwais will also support Abu Dhabi and the UAE's economic development and diversification, create high-skilled jobs and enhance the country's status as a globally attractive destination for energy investments", he added. ADNOC's downstream investment plans are in line with its 2030 strategy of a more profitable upstream, more valuable downstream and sustainable, economic gas supply, underpinned by more proactive and adaptive marketing and trading. Building on its legacy of success, ADNOC has undertaken a significant group transformation program over the last two years. The business has improved operational efficiency, enhanced performance and realigned the management of its portfolio of assets and capital to create a new and expanded partnership and investment model. ADNOC is now accelerating this transformation by unveiling its plans to become a leading global downstream player. The new strategy will be supported by ADNOC's 45 year plus legacy of a unique and open approach to partnerships. ADNOC will again look to create long term downstream partnerships, providing access to the most attractive parts of the energy value chain, to redefine ADNOC's future growth. H.E. Dr Sultan Al Jaber also said: "The unique competitive advantages and world-scale of Ruwais, combined with a US \$45 billion-dollar investment plan and our ambitious smart growth strategy, create a unique opportunity for ADNOC to redefine the global refining and petrochemicals landscape. As in the past, our full potential will be accelerated through value-adding partnerships, so we are extending an invitation to both existing and new partners to join with us in building a world-leading refining and petrochemicals complex and manufacturing ecosystem here in Ruwais." ADNOC's existing and sizeable downstream portfolio comprises eight companies processing 10.5 billion standard cubic feet (scf) of gas per day, and with a refining capacity of 922,000 barrels per day (bpd) of condensate and crude. They produce some 40 million tons per year (mtpa) of refined products, and a range of other products, including granulated urea, liquefied petroleum gas (LPG), naphtha, gasoline, jet fuel, gas oil and base oils, fuel oil, and other petrochemical feedstock. Plans are well advanced to expand the complex's refining capacity by more than 65%, or 600,000 bpd by 2025, through the addition of a third, new refinery, creating a total capacity of 1.5 million barrels per day (mbpd). This new capacity will vault ADNOC's Ruwais into the largest crude oil refinery in the world, exceeding that of India's Reliance Jamnagar Refinery in Gujarat, which presently has an aggregate capacity of 1.24 million barrels per day although Reliance has announced plans to increase its capacity by 2030 to approximately 2 million bpd. Reliance operates two refineries at the Jamnagar complex with an installed capacity of 1.2 million barrels per day, or 60 million tonnes per year. The plants typically operate above their installed capacity and process 1.4 million bpd of crude, or about 70 million tonnes per year. Raising the refining capacity at the Jamnagar complex to 100 million tonnes per year would equal about 2 million bpd. The new ADNOC refinery, coupled with other projects underway within the Ruwais complex, will significantly increase the capability, flexibility and output of Abu Dhabi's refining operations by adding to the range of crudes that can be processed and that in turn enables the export of increased volumes of the UAE's high-value Murban crude. ADNOC currently produces lube base oil at Ruwais, U.A.E. with a production capacity of 2,000 b/d of Group II and 10,300 b/d of Group III base oils. OEM/Lube News contacted ADNOC to ascertain to what extent lube base oil capacity might be increased, but as of press time, had not received a response. ADNOC will also develop a new, large-scale, manufacturing ecosystem in Ruwais through the creation of new petrochemical Derivatives and Conversion Parks. The Ruwais Derivatives Park will be built on a six square kilometer area adjacent to, and fully integrated with, the larger Ruwais complex. The Ruwais Derivatives Park will act as a prime catalyst for the next stage of petrochemical transformation by inviting partners to invest and produce new products and solutions from the growing range of feedstocks that are available in Ruwais. This will enable the creation of numerous new petrochemical activities and value chains, in such fields as construction chemicals, oil and gas chemicals, surfactants and detergents, to name just a few. Furthermore, the new Ruwais Conversion Park will spur new business creation even further down the value chain, taking feedstock from both the Derivatives Park and other Ruwais assets to manufacture higher-value end products, including packaging materials, coatings, high voltage insulation and automotive composites. The Conversion Park, occupying another 3.6 square kilometers, will also act as a catalyst for the creation of focused industry clusters, that can not only supply products and solutions using the derivatives and other facilities available, but will also leverage the proximity of such an interconnected

ecosystem to drive expertise, innovation and entrepreneurship. As part of the overall Ruwais area development, ADNOC will undertake the significant expansion and development of Ruwais City to meet the increase in demand for housing and other facilities resulting from the significant enlargement of the Ruwais Industrial Complex. ADNOC plans to develop Ruwais into an even more attractive and thriving city for a greatly expanded, diverse and high-skilled workforce. Along with new homes, ADNOC is also constructing infrastructure and community enhancement projects for Ruwais City that include the expansion of the public transport system and numerous community and other facilities such as new healthcare facilities, secondary and tertiary educational facilities, a central park and recreation spaces, a new mall, new beach facilities and a traditional souq. Significant interest in the myriad of new investment and downstream partnership opportunities has already been expressed and discussions are now taking place with global energy companies and domestic investors with the operational expertise, financial strength and long-term vision required to support delivery of these initiatives.

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Regina Harm Appointed President of Afton Chemical

NewMarket Corporation announced last Friday that Ms. Regina A. Harm has been appointed President of Afton Chemical Corporation. Ms. Harm has over 30 years of experience in the chemical industry including 11 years with Afton Chemical. For the past 3 years, she has held the position of Senior Vice President and Chief Operating Officer of Afton Chemical. In this role, Ms. Harm was responsible for the procurement, engineering, manufacturing and logistics of Afton Chemical's global product portfolio as well as Research and Development functions. Ms. Harm will replace Mr. Robert A. Shama who has been appointed Vice President of Strategic OEMs (Original Equipment Manufacturers) for Afton Chemical. Mr. Teddy Gottwald, Chairman and CEO of NewMarket commented, "There is an exciting opportunity ahead as Gina embeds her extensive knowledge of the market, strong leadership skills and results driven mindset to accelerate our growth strategy. We remain focused on our long term objectives and I look forward to our continued success under Gina's direction."

Bosch Announces Breakthrough in Diesel Emissions Technology - Provides Solution to NOx Problem

New developments from Bosch could enable vehicle manufacturers to reduce emissions of nitrogen oxides (NOx) so drastically that they already comply with future limits. Even in RDE (real driving emissions) testing, emissions from vehicles equipped with the newly premiered Bosch diesel technology are not only significantly below current limits but also those scheduled to come into force from 2020. "There's a future for diesel. Today, we want to put a stop, once and for all, to the debate about the demise of diesel technology." It was with these words that the Bosch CEO Dr. Volkmar Denner, speaking at the company's annual press conference, announced a decisive breakthrough in diesel technology. Bosch said that its engineers achieved these results by refining existing technologies, stating there is no need for additional components, which would drive up costs. "Bosch is pushing the boundaries of what is technically feasible," Denner said. "Equipped with the latest Bosch technology, diesel vehicles will be classed as low-emission vehicles and yet remain affordable." The Bosch CEO also called for greater transparency with regard to the CO2 emissions caused by road traffic, and called for fuel consumption and thus CO2 emissions to be also measured under real conditions on the road in the future. Since 2017, European legislation has required that new passenger car models tested according to an RDE-compliant mix of urban, extra-urban, and freeway cycles emit no more than 168 milligrams of NOx per kilometer. As of 2020, this limit will be cut to 120 milligrams. But even today, vehicles equipped with Bosch diesel technology can achieve as little as 13 milligrams of NOx in standard legally-compliant RDE cycles. That is approximately one-tenth of the prescribed limit that will apply after 2020. And even when driving in particularly challenging urban conditions, where test parameters are well in excess of legal requirements, the average emissions of the Bosch test vehicles are as low as 40 milligrams per kilometer. Bosch engineers have achieved this decisive breakthrough over the past few months. A combination of advanced fuel-injection technology, a newly developed air management system, and intelligent temperature management has made such low readings possible. NOx emissions can now remain below the legally permitted level in all driving situations, irrespective of whether the vehicle is driven dynamically or slowly, in freezing conditions or in summer temperatures, on the freeway or in congested city traffic. "Diesel will remain an option in urban traffic, whether drivers are tradespeople or commuters," Denner said. Bosch delivered proof of this innovative advance at a major press event in Stuttgart. Dozens of journalists, from both Germany and abroad, had the opportunity to drive test vehicles equipped with mobile measuring equipment in heavy city traffic, under especially challenging conditions. The results recorded by the journalists, along with the route driven, can be viewed here. As the measures to reduce NOx emissions do not significantly impact consumption, the diesel retains its comparative advantage in terms of fuel economy, CO2 emissions, and therefore climate-friendliness. To date, two factors have hindered the reduction of NOx emissions in diesel vehicles. The first of these is driving style. The technological solution developed by Bosch is a highly responsive air-flow management system for the engine. A dynamic driving style demands an equally dynamic recirculation of exhaust gases. This can be achieved with the use of a RDE-optimized turbocharger that reacts more quickly than conventional turbochargers. Thanks to a combination of high- and low-pressure exhaust-gas recirculation, the air-flow management system becomes even more flexible. This means drivers can drive off at speed without a spike in emissions. Equally important is the influence of temperature. To ensure optimum NOx conversion, the exhaust gases must be hotter than 200 degrees Celsius. In urban driving, vehicles frequently fail to reach this temperature. Bosch has therefore opted for a sophisticated thermal management system for the diesel engine. This actively regulates the exhaust-gas temperature, thereby ensuring that the exhaust system stays hot enough to function within a stable temperature range and that emissions remain at a low level. Bosch's new diesel system is based on components that are already available in the market. It is available to customers effective immediately and can be incorporated into production projects.

Calumet Posts \$4.8 Million Net Loss; Nynas Naps Post 37% Drop in 1Q Earnings

CALUMET Calumet Specialty Products Partners, L.P. last Tuesday reported a \$4.8 million net loss compared to a net loss of \$6.2 million in the first quarter of 2017, and \$75.0 million of Adjusted EBITDA for first quarter 2018 which included, but not limited to, the following: a \$3.1 million favorable lower of cost or market ("LCM") inventory adjustment; \$3.7 million of expense related to enterprise resource planning ("ERP") system costs; \$2.1 million of realized hedging losses; and \$4.0 million in acquisition costs. Excluding these impacts, Adjusted EBITDA for the first quarter 2018 would have been \$81.7 million. The specialty products segment gross profit of \$69.6 million and Adjusted EBITDA of \$37.7 million were down compared to \$82.3 million and \$45.6 million in the year-ago period, respectively. This includes the impact of turnaround and maintenance activity at the Shreveport facility and \$4.0 million in acquisition-related costs. Inclusive of the \$4.0 million acquisition related costs, negative impacts of higher crude prices and lower volumes due to downtime at Shreveport, the specialty segment trailing twelve-month Adjusted EBITDA Margin results of 13.9% improved compared to 13.7% one year ago. Lubricating oils volume fell to 10,031 bpd in the first quarter compared to 15,160 bpd last year. Packaged and synthetic specialty products fell to 2,438 bpd in the first quarter from 2,566 bpd in last year's first quarter. NYNAS Nynas Naphthenics segment first quarter 2018 sales volumes were up 4% from the same quarter last year, but its earnings fell 37% to SEK 129 million mainly due to faster increase in cost of goods sold compared to price increases for finished products. EMEA (Europe, Middle East, India and Africa) sales volumes during the first quarter of 2018 were in line with expectations and similar to the same period in 2017, despite two fewer working days during the quarter. Sales volumes in India continue to rise and set a new record for a quarter. Volumes in the Americas in the first quarter of 2018 were below the same period in the previous year mainly due to continued supply constraints, whereas Asia Pacific sales volumes in the quarter were 7 per cent higher than in the same period in 2017. First quarter external sales increased to SEK 1,927 million (compared to SEK 1,846 in the first quarter of 2017) mainly driven by increasing crude oil prices feeding into higher sales prices. Operating result before depreciation (EBITDA) decreased to SEK 129 million (compared to SEK 205 in the first quarter of 2017), explained mainly by a faster increase in cost of goods sold compared to price increases for finished products. Nynas overall net sales increased to SEK 2,644 million (compared to SEK 2,570 in the first quarter of 2017), as a consequence of a 24 per cent higher oil price level compared to the first quarter of 2017. Total product sales volumes decreased by 15 per cent compared to the first quarter 2017, the reason being a slow start of the bitumen season due to the harsh winter conditions in Northern Europe. EBITDA amounted to SEK 84 million compared to SEK 151 in the first quarter of 2017). A new laboratory in Nynäshamn was opened in January for Nynas' specialty oils in the tyre and industrial rubber product segments. Net sales for the first quarter reached SEK 2,644 million (compared to SEK 2,570 in the first quarter of 2017), as a consequence of the 24 per cent higher oil price level, offset by lower sales volumes in the bitumen segment. The normal seasonally low activity was worsened due to harsh winter conditions, particularly in the Nordic area. The majority of bitumen sales and operating results are generated in the second and third quarter each year. EBITDA amounted to SEK 84 million (compared to SEK 151 in the first quarter of 2017) for the first quarter. Net financial items for the first quarter amounted to SEK -93 million (compared to SEK -44 in the first quarter of 2017) of which SEK -76 million (compared to SEK -39 in the first quarter of 2017) is related to net interest expenses, explained by approximately 20 per cent higher utilisation of credit facilities mainly as a consequence of increased cash balances to manage under sanctions.

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