

# Impact of Russian sanctions and pandemic rebound on US base oil

XII Meet the Market International Conference 2022

Rio de Janeiro, Brazil



# Agenda

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- 1 ICIS report
- 2 Market at a glance
- 3 Production, stocks, consumption
- 4 Russian supply
- 5 Lubes vs fuels
- 6 Base oil pricing
- 7 Trade
- 8 Outlook

# ICIS assessments



Base Oils  
Americas

29 March 2022

Chemical Prices | News | Analysis

Editor: Amanda Hay

\*Please note: All prices on this report are quoted in USD/GAL. Dates are month/day/year\*

## GROUP I POSTED PRICES - FOB

	ExxonMobil US Gulf Coast			Holly Frontier Mid-Continent			Paulsboro Refining Co. US East Coast			Calumet Shreveport		
70/75				5.33	-0.30	03/21/22						
100	5.34	-0.30	03/18/22	5.33	-0.30	03/21/22	5.59	-0.30	03/23/22			
150	5.24	-0.45	03/18/22	5.51	-0.30	03/21/22	5.39	-0.45	03/23/22			
250				5.52	-0.40	03/21/22						
300/350	5.36	-0.45	03/18/22									
500							6.58	-0.45	03/23/22			
525				6.77	-0.40	03/21/22						
600/650	6.44	-0.45	03/18/22							6.60	-0.20	03/21/22
700							6.61	-0.45	03/23/22			
Brightstock	8.06	-0.45	03/18/22	7.99	-0.40	03/21/22	8.21	-0.45	03/23/22	8.04	-0.40	03/21/22

## GROUP II POSTED PRICES - FOB

	Excel Paralubes US Gulf Coast			Chevron US Gulf Coast			MOTIVA US Gulf Coast		
70	5.99	+0.20	03/16/22						
100/120	5.90	+0.20	03/16/22	6.09	+0.20	03/15/22	4.97	+0.50	03/15/22
200/220	6.00	+0.20	03/16/22	6.06	+0.20	03/15/22	5.54	+0.50	03/15/22
600	6.20	+0.20	03/16/22	6.19	+0.15	03/15/22	5.52	+0.50	03/15/22

List prices

## GROUP I MARKET PRICE

		Price Range		/
SN 100 FOB USGC	+0.38	4.38-4.54	+0.38	-
SN 150 FOB USGC	+0.38	4.40-4.56	+0.38	-
SN 200/250 FOB USGC	+0.15	4.30-4.46	+0.15	-
SN 300/350 FOB USGC	+0.15	4.32-4.48	+0.15	-
SN 500/550 FOB USGC	+0.06	4.80-4.96	+0.06	-
SN 600/650 FOB USGC	+0.10	4.89-5.05	+0.09	-
BRIGHT STOCK FOB USGC	+0.20	6.25-6.41	+0.20	-

## GROUP I MARKET PRICE

		Price Range		/
BRIGHT STOCK FOB BROWNSVILLE	+0.50	6.00-6.16	+0.50	-

## GROUP II MARKET PRICE

		Price Range		USD/tonne
N100/120 FOB USGC	+0.30	4.44-4.60	+0.30	1371.84-1421.28
N200/220 FOB USGC	n/c	4.90-5.06	n/c	1491.12-1539.81
N600 FOB USGC	n/c	5.24-5.40	n/c	1581.83-1630.13

## GROUP II EXPORT PRICE

		Price Range		USD/tonne
N100/120 FOB USGC	+0.14	3.91-4.07	+0.14	1208.08-1257.52
N200/220 FOB USGC	+0.16	3.96-4.12	+0.16	1205.07-1253.76
N600 FOB USGC	+0.16	4.20-4.36	+0.16	1267.88-1316.18

## GROUP III MARKET PRICE

		Price Range		/
4 cSt FOB USG	+0.10	6.10-6.30	+0.10	-
6 cSt FOB USG	n/c	5.75-5.91	n/c	-
8 cSt FOB USG	n/c	5.55-5.80	+0.09	-

Market "reality"

# Changing landscape



	 <b>SUPPLY</b>	 <b>DEMAND</b>	 <b>PRICE</b>
<b>2019</b>	<ul style="list-style-type: none"> <li>• Global oversupply</li> <li>• US Group II oversupply</li> <li>• High inventories, exports</li> </ul>	<ul style="list-style-type: none"> <li>• Likely peaked</li> <li>• Flat to declining</li> <li>• Declining for Group I</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer's market</li> <li>• Discounts common</li> <li>• Cheap exports</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>• Global shortage</li> <li>• US Group II shortage</li> <li>• Low inventories; backlogs</li> </ul>	<ul style="list-style-type: none"> <li>• Outpacing supplies</li> <li>• Supply chain chaos</li> <li>• Finished lubricant tight</li> </ul>	<ul style="list-style-type: none"> <li>• Seller's market</li> <li>• Supply-driven pressure</li> <li>• Unprecedented increases</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>• VGO prioritised for diesel</li> <li>• Loss of Russian barrels</li> <li>• US exports tight</li> </ul>	<ul style="list-style-type: none"> <li>• Outpacing supplies</li> <li>• Shifting trade flows</li> <li>• Higher demand ex-US</li> </ul>	<ul style="list-style-type: none"> <li>• Seller's market</li> <li>• Cost-driven pressure</li> <li>• Record price levels</li> </ul>



# Consumption returning to pre-pandemic levels

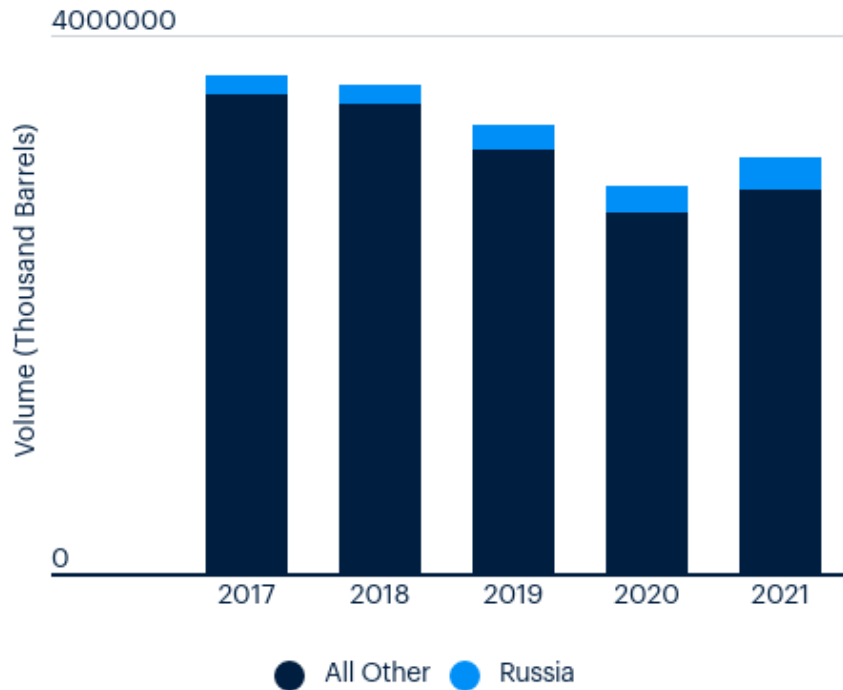


Product supplied hits all-time low in 2021, but rebounding now

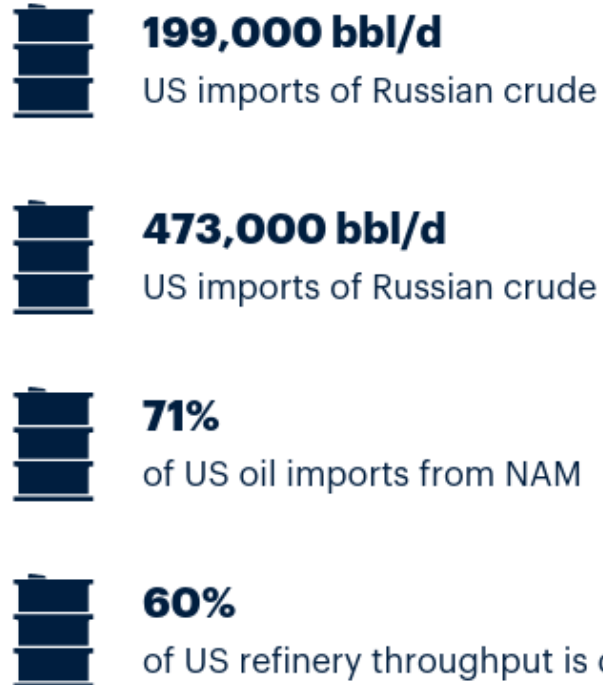
# Sanctions complicate imports, tighten supply



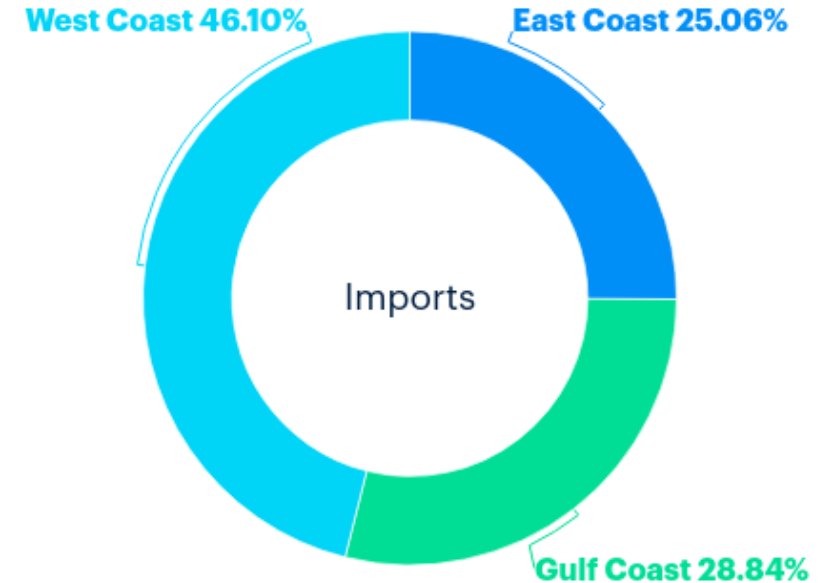
## US imports of crude, crude products



## 2021 Stats

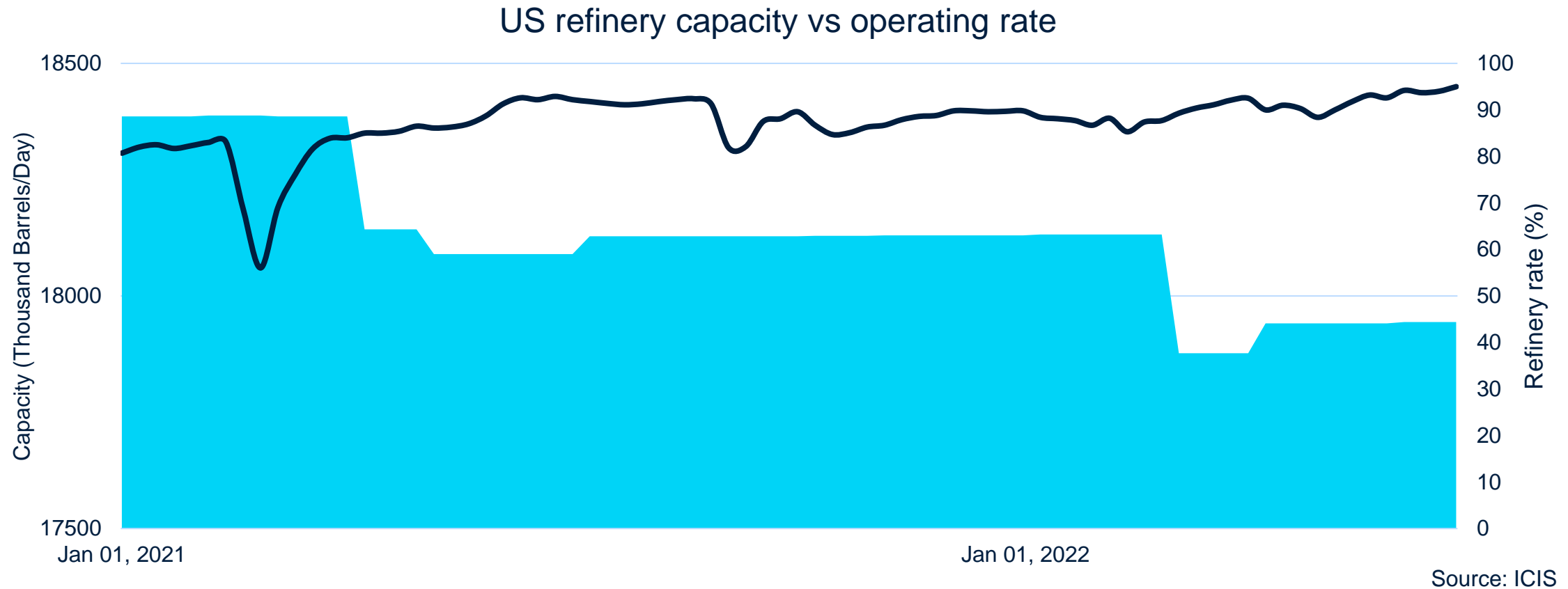


## 2021 Russian imports by region



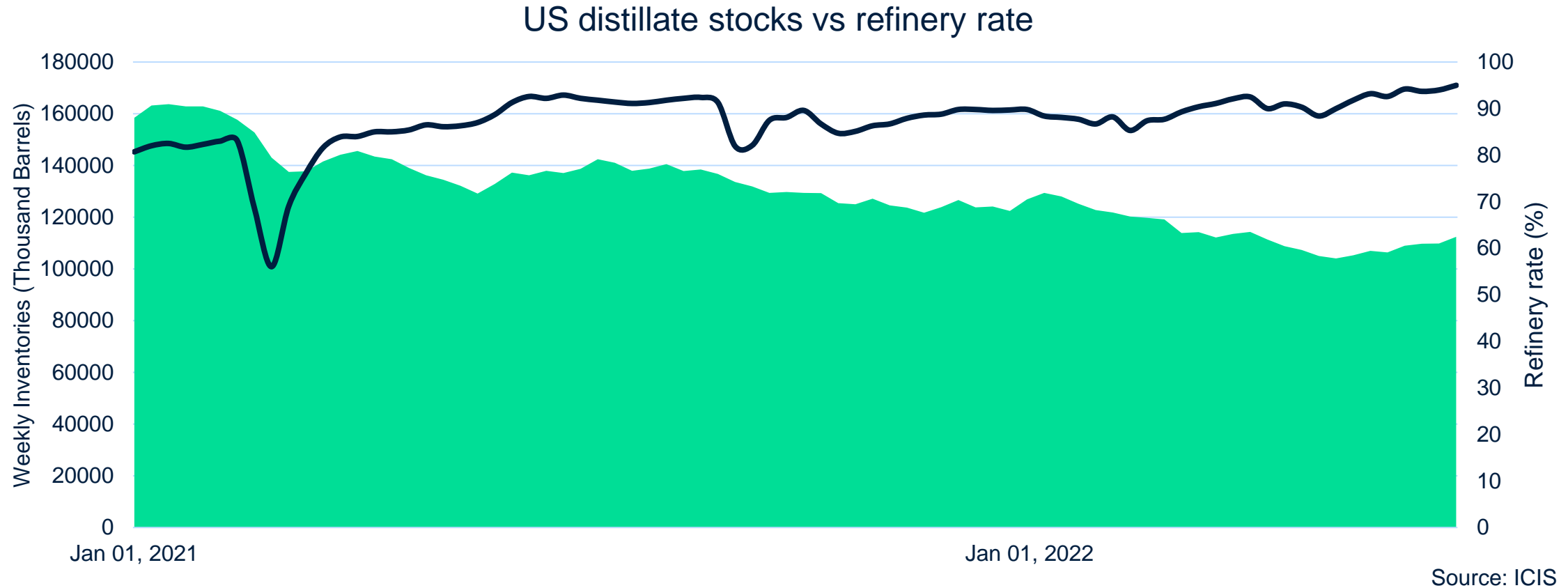
Sources: US EIA, AFPM

# US shuts refining capacity in pandemic



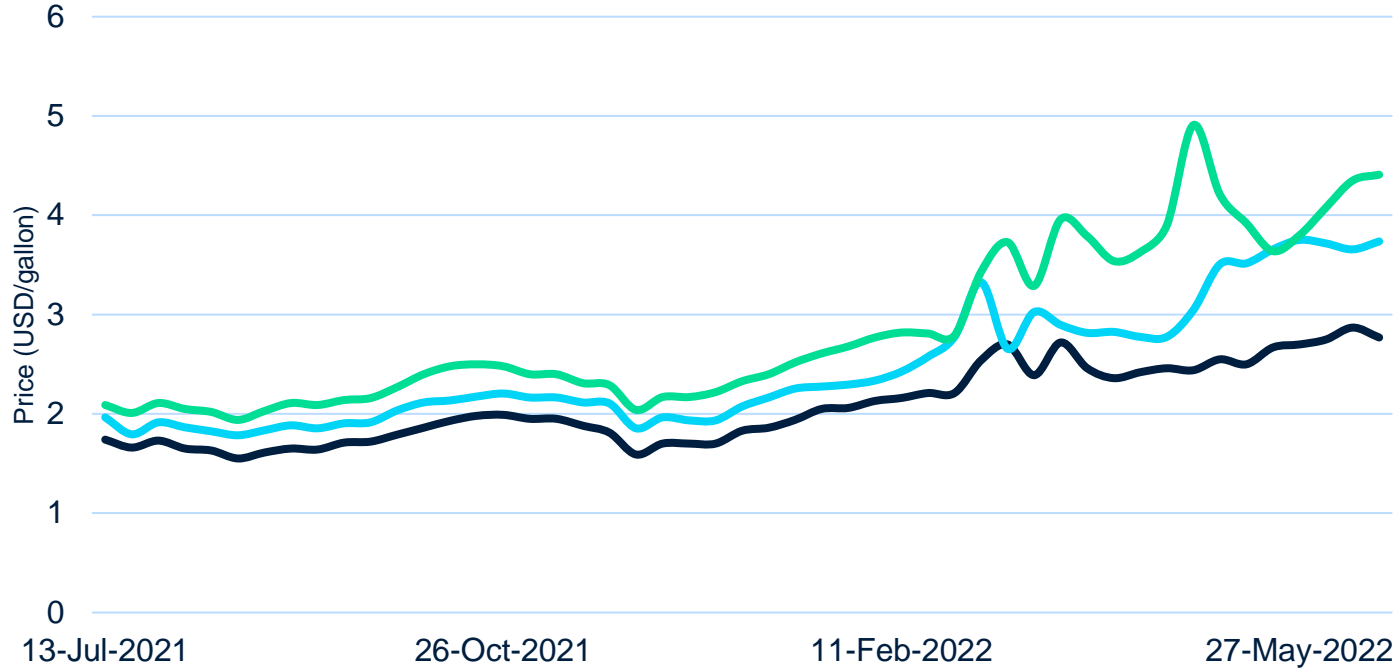
US loses 1m bbl/day in refining capacity to closures

# Distillates continue to decline despite high rates



US distillate stocks trend at 14-year lows; exports rise

# Lubricant at the mercy of fuels



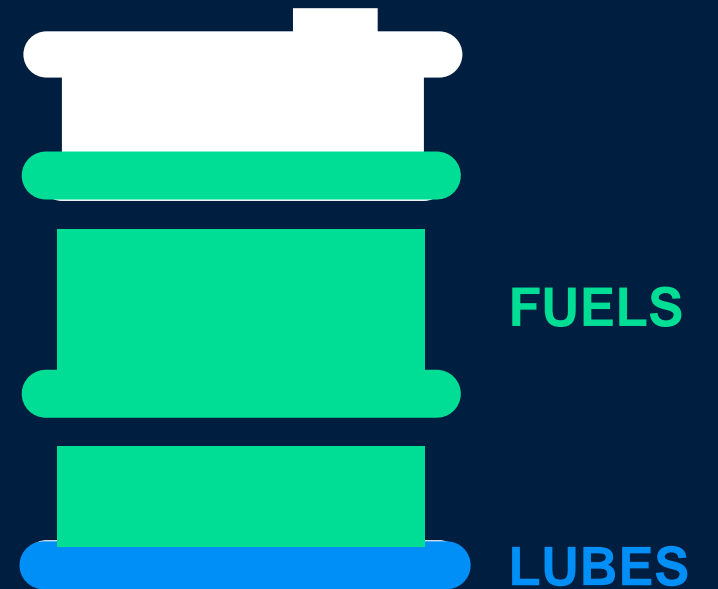
LEGEND: — WTI — VGO — Diesel

Source: ICIS



# 1.0%

Lubricant demand is only a fraction of a barrel of crude



# Prices on the rise again in 2022 as costs mount

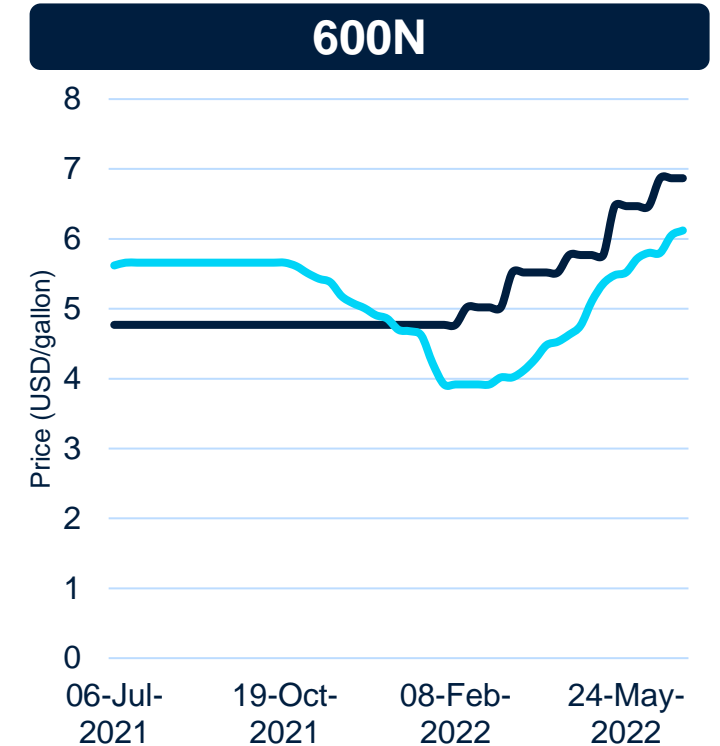
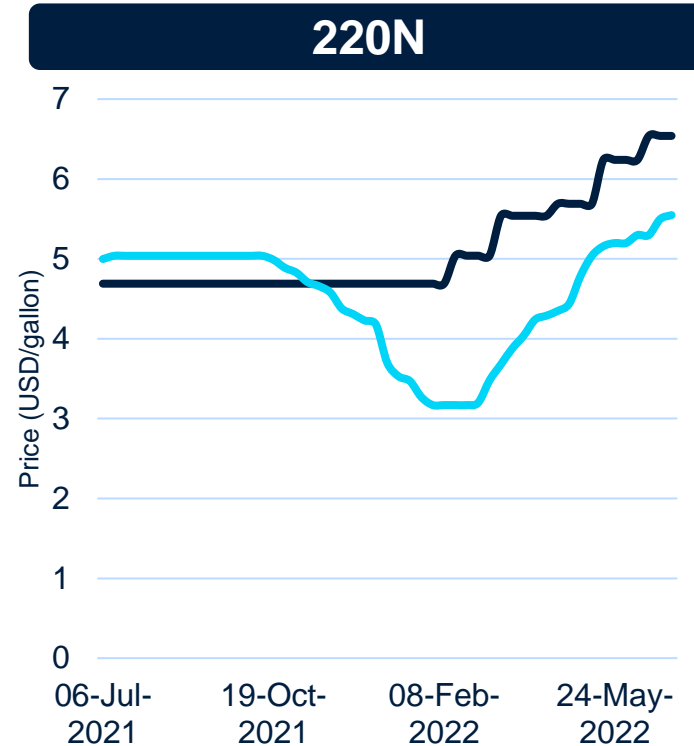
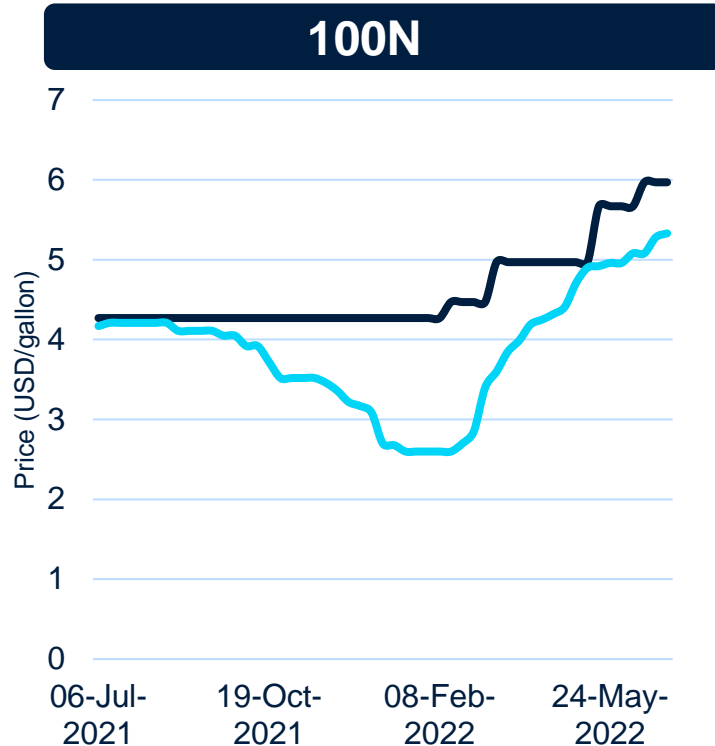


Average US base oil price increases by grade (\$/gallon)					
	2021 posting	2022 posting	Total posting	ICIS domestic*	ICIS export*
<b>Group I</b>					
SN150	1.20	1.60	2.80	120%	
SN500/600	1.90	1.54	3.44	145%	
Brightstock	2.24	1.33	3.56	94%	
<b>Group II</b>					
N100	1.41	1.33	2.74	133%	156%
N220	1.91	1.90	3.81	142%	167%
N600	1.97	2.05	4.02	151%	190%
EHC45	2.10	1.90	4.00	NA	
<b>Group III</b>					
4cSt	2.38	1.57	3.95	128%	

\*Note: ICIS price increases are compared with February 2020 prices.

Source: ICIS

# ICIS export prices carry discount to postings, domestic prices



LEGEND: — Motiva — ICIS

Source: ICIS

**20** cents/gal  
discount to ICIS domestic

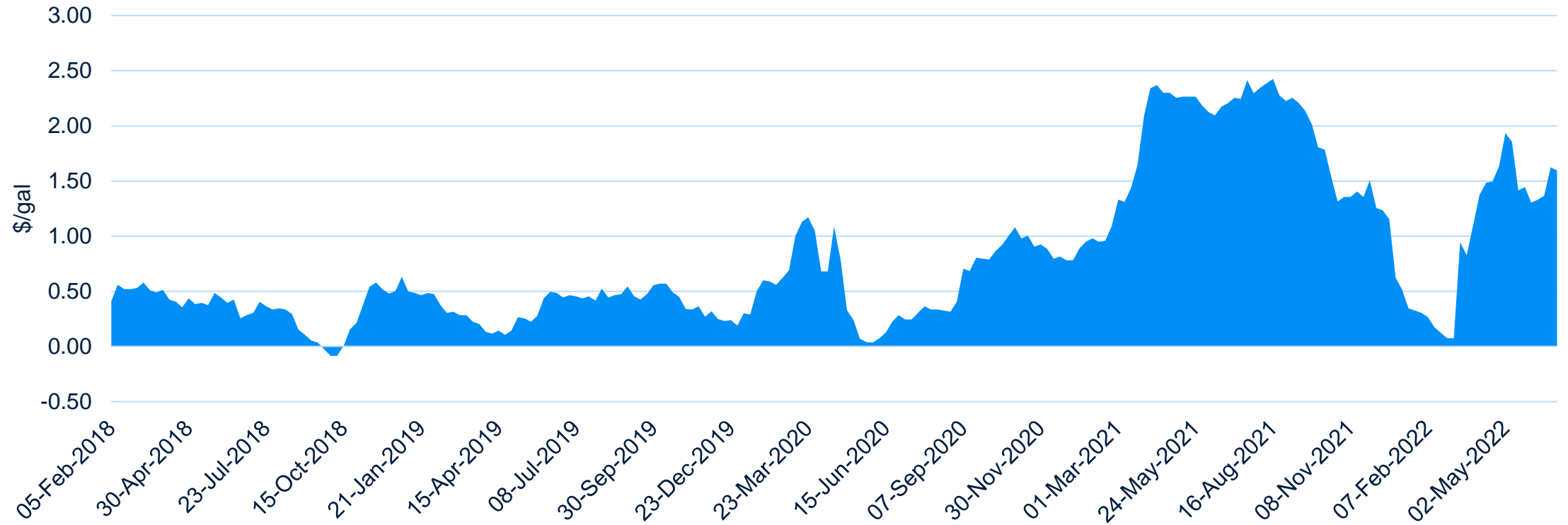
**45** cents/gal  
discount to ICIS domestic

**40** cents/gal  
discount to ICIS domestic

# Margins robust compared with pre-pandemic norms



US Group II 100N export price-to-VGO spread

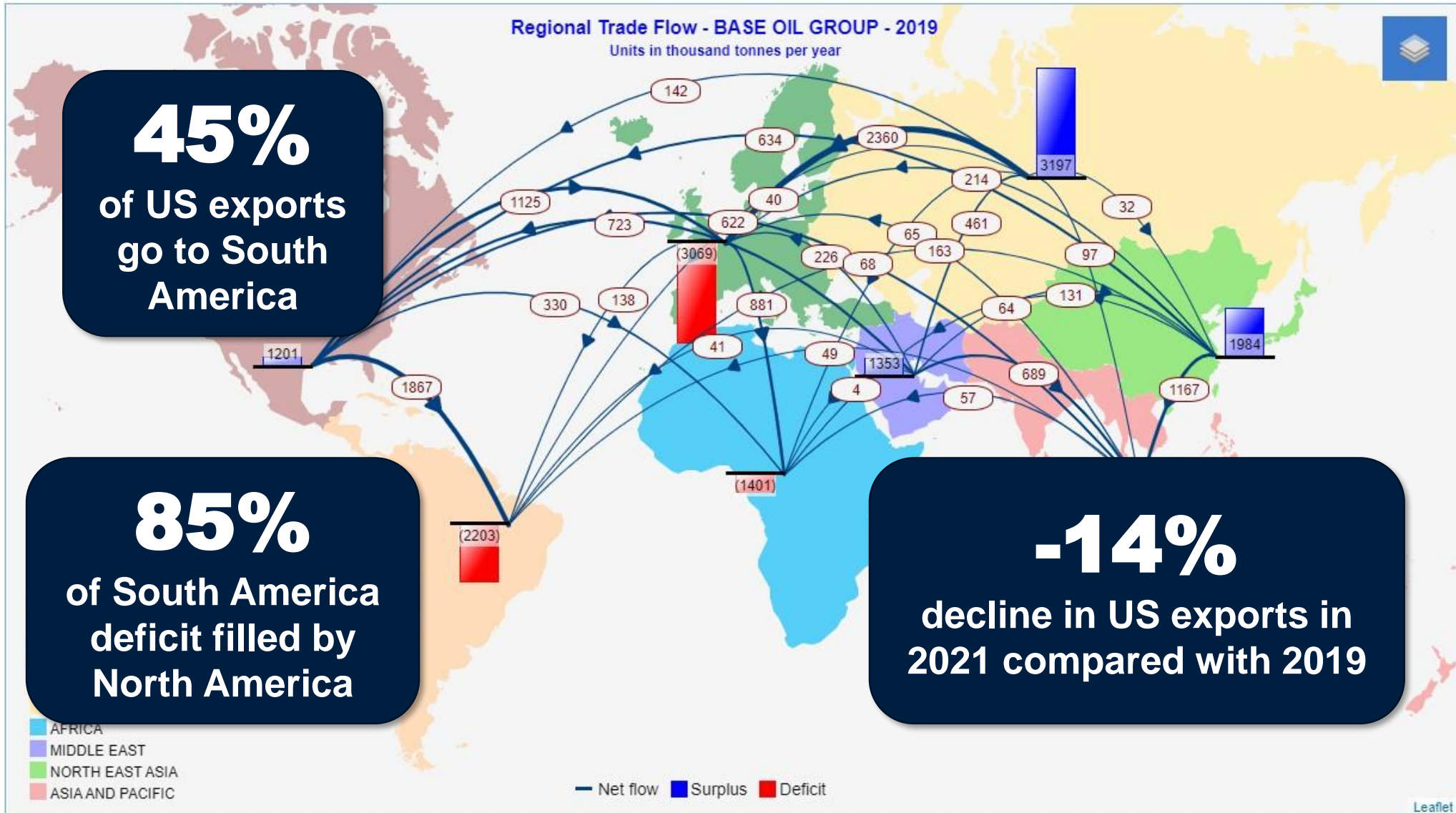


Source: ICIS

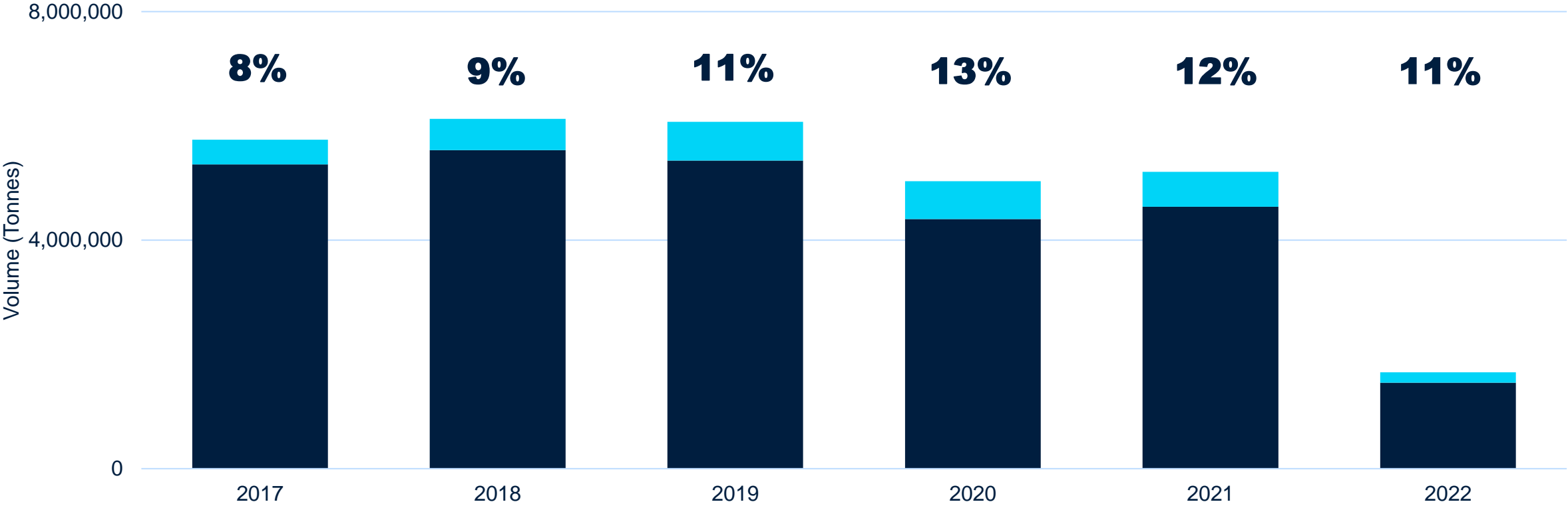


VGO-to-100N spread increases from 40cpg to \$2.40

# Tighter US export availability hurts South America the most



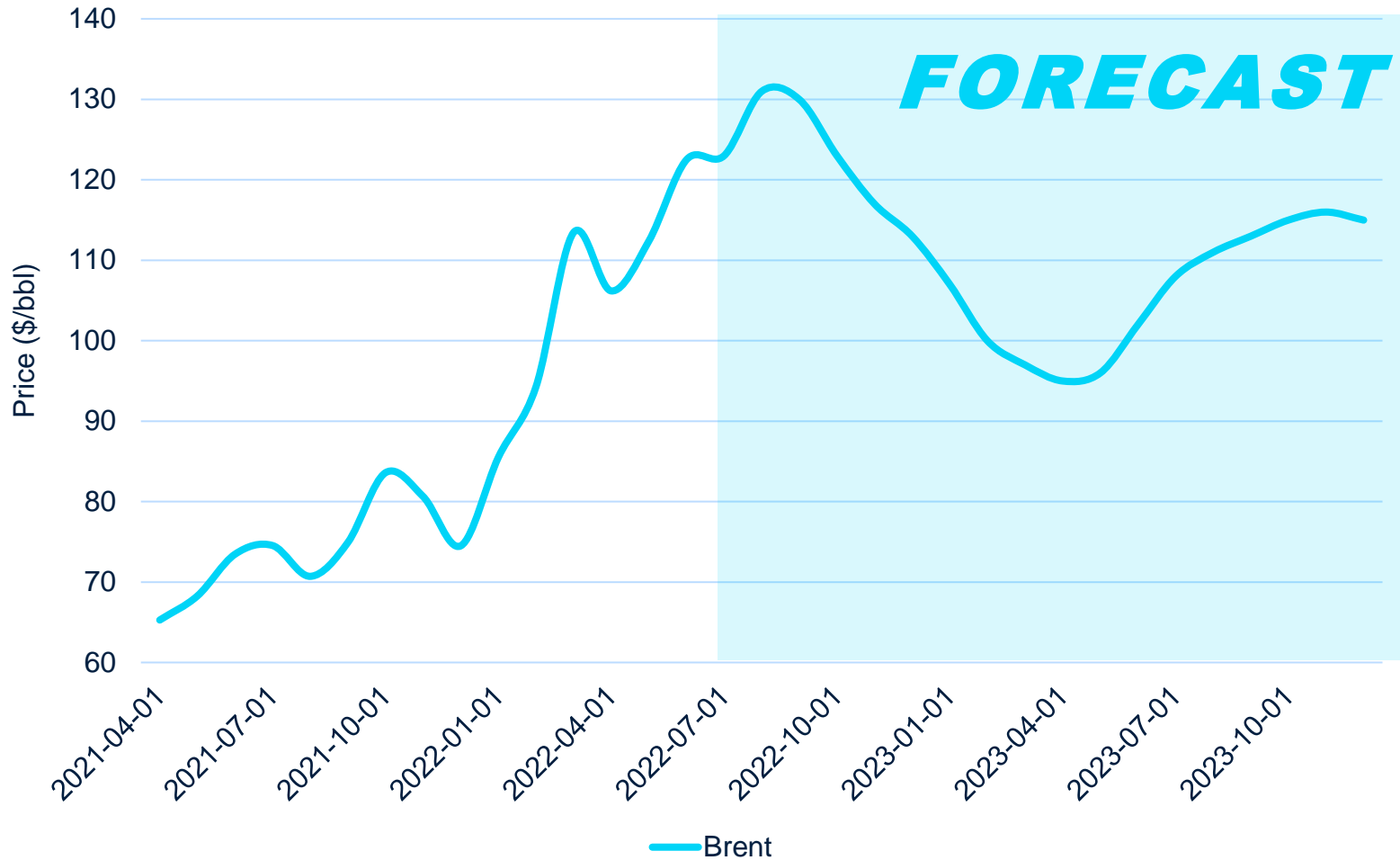
# Brazil accounts for rising share of US exports



LEGEND: — Other — Brazil

Source: ICIS

# Brent crude oil outlook



Source: ICIS

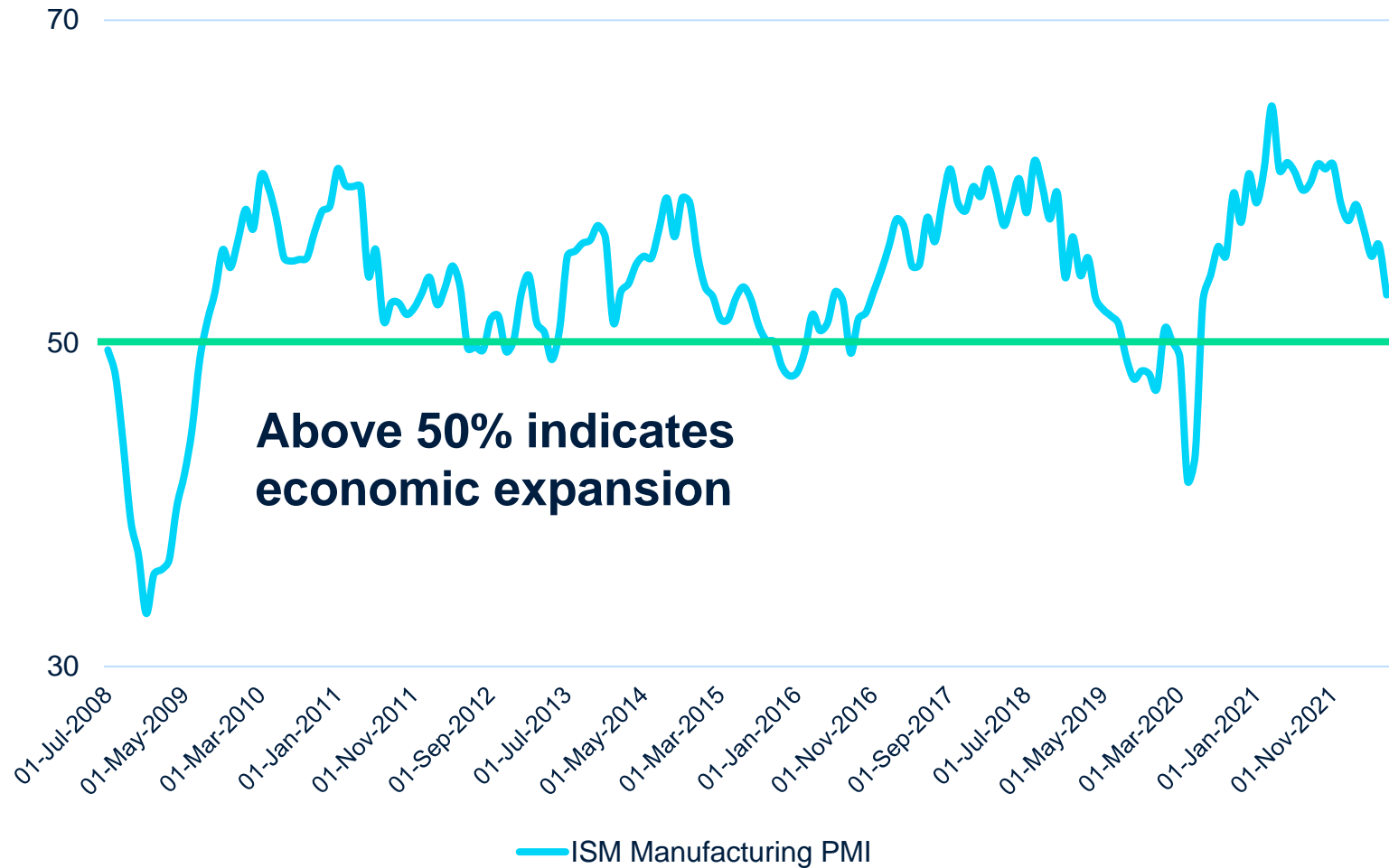
**\$130/bbl**

ICIS expectation for Brent crude peak in Q3

**\$95/bbl**

ICIS expectation for Brent crude floor in 2023

# US manufacturing weakens



Source: ISM

June manufacturing activity slowed, but not as ugly as feared.

A decline in new orders is troubling, suggesting reduced demand.



## Conclusions

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Firm prices in near term

Crude above \$90/bbl

Easing fuel demand in Q4

Russian sanctions remain

Pent-up finished lube demand

Recession risk climbs

Demand destruction  
needed to rebalance

# Questions?

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