

Base oils

Four bumpy years behind

Decades of uncertainty ahead

Jonathan López
ICIS Latin America correspondent

29 October 2024



Global source of independent commodity intelligence,
based on trust, credibility and a rich heritage



123

Markets
covered

18

Offices
globally

750+

Employees embedded
in markets worldwide

We are part of RELX, a FTSE 15 leader of global information
and analytics with a market cap of **\$60bn**



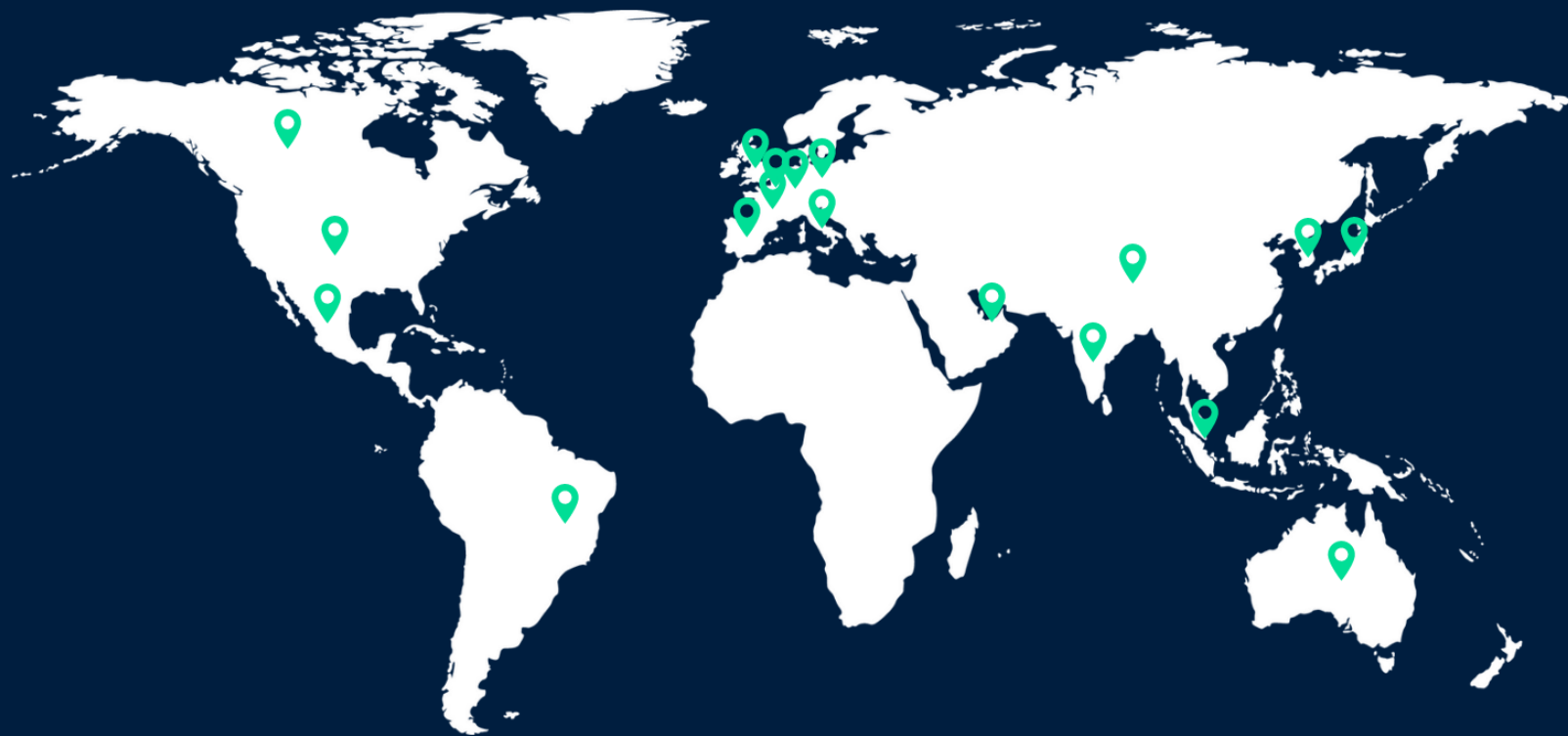
With our intelligence, we help shape the world by connecting markets to optimise the world's valuable resources

Serving customers in over **127 countries**

90% of the world's top 20 chemical companies use our data

Market experts globally including, analysts, consultants, data scientists, technologists

ICIS pricing data is widely **acknowledged as a benchmark** across many of the world's most established commodities



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

GROUP I POSTED PRICES - FOB

	ExxonMobil			Holly Frontier			Paulsboro Refining Co.			Calumet		
	US Gulf Coast			Mid-Continent			US East Coast			Shreveport		
70/75				5.43	-0.20	09/23/24						
100	5.74	+0.35	04/11/24	5.43	-0.20	09/23/24	5.99	+0.35	04/16/24			
150	5.64	+0.35	04/11/24	5.61	-0.20	09/23/24	5.79	+0.35	04/16/24			
250				5.62	-0.20	09/23/24						
300/350	5.81	+0.35	04/11/24									
500							6.98	+0.35	04/16/24			
525				6.97	-0.20	09/23/24						
600/650	6.84	+0.35	04/11/24							6.80	-0.20	09/30/24
700							7.01	+0.35	04/16/24			
Brightstock	8.21	+0.35	04/11/24	7.89	-0.20	09/23/24	8.36	+0.35	04/16/24	7.99	-0.20	09/30/24

GROUP II POSTED PRICES - FOB

	Excel Paralubes			Chevron			MOTIVA		
	US Gulf Coast			US Gulf Coast			US Gulf Coast		
70	5.04	-0.30	09/01/24						
100/120	5.90	-0.20	09/01/24	5.79	-0.20	09/03/24	4.99	-0.18	09/01/24



By Eashani Chavda, Samantha Wright
22-Oct-2024

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Downstream](#) | [Production](#)

Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

ICIS is considering making changes to the Group III prices to separately reflect approved and non-approved product. Please send any comments to samantha.wright@icis.com or eashani.chavda@icis.com.

ICIS is considering aligning its global coverage of base oils to the same day of the week and is inviting feedback from the market. Please send any comments to samantha.wright@icis.com or eashani.chavda@icis.com.

OVERVIEW

- Domestic SN500 prices down
- Lower offers heard for Nov domestic spot business
- Group II light grades see downward pressure
- Group III ranges widen
- Export values move down
- Export SN150 prices slip below domestic again

Brazil's chemicals importers mobilize against tariffs hike proposed by producers

Higher import tariffs one leg of wider plan to save Brazil's besieged chemicals producers - Abiquim

Brazil's chemicals unions join companies demanding higher tariffs on 'unprecedented' crisis

Mexico's Orbia 'prepared' for any scenario after US election - CEO

LONDON (ICIS)--Orbia is ready to take on [any potential changes](#) in US import tariffs or changes in other trade barriers following the November Presidential election, said Sameer Bharadwaj, CEO at the Mexican petrochemicals producer, on Thursday.

INSIGHT: Brazil's climate change baptism of fire a harsh warning of new logistics normality

Argentina's progress on fiscal consolidation still challenged by inflation - economist

Braskem Idesa ethane supply more stable, PE prices to recover in H2 2025 - exec

Brazil growth story props up chloralkali sector; Argentina still distant from being out of woods - CloroSur

Latin America's fiscal consolidation at risk of slippages as plans postponed - IMF

SAO PAULO (ICIS)--Latin America's countries high debt levels require fiscal consolidation plans which in some cases are being postponed, increasing risks for the long-term financial stability of the region, the Director of the Western Hemisphere Department at the IMF said on Friday.





- **Americas**

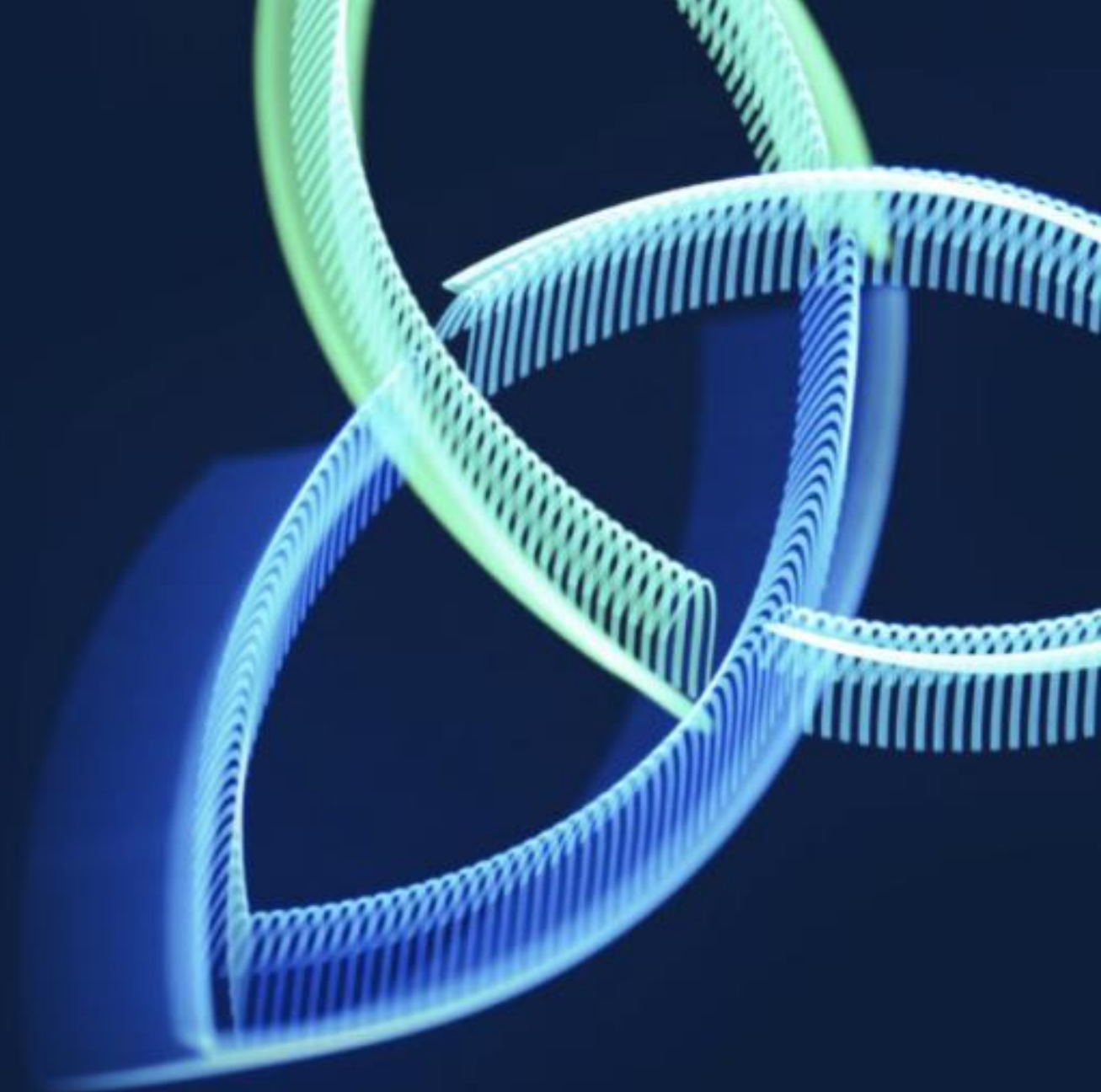
- Brazil targeting Group II expansion
- Fraud growing, regulator's resources decreasing
- Manufacturing *really* recovering?
- US prowess to stay – its oversupply finds comfy home in LatAm

- **Base oils upcoming existential battles**

- Transport electrification delays – but trend irreversible
- *Experiences versus products*: a worrying trend for manufacturing
- Latin America's perennial economic woes also cap manufacturing activity

- **Post-2020 logistics: adapting to the new unpredictable reality**

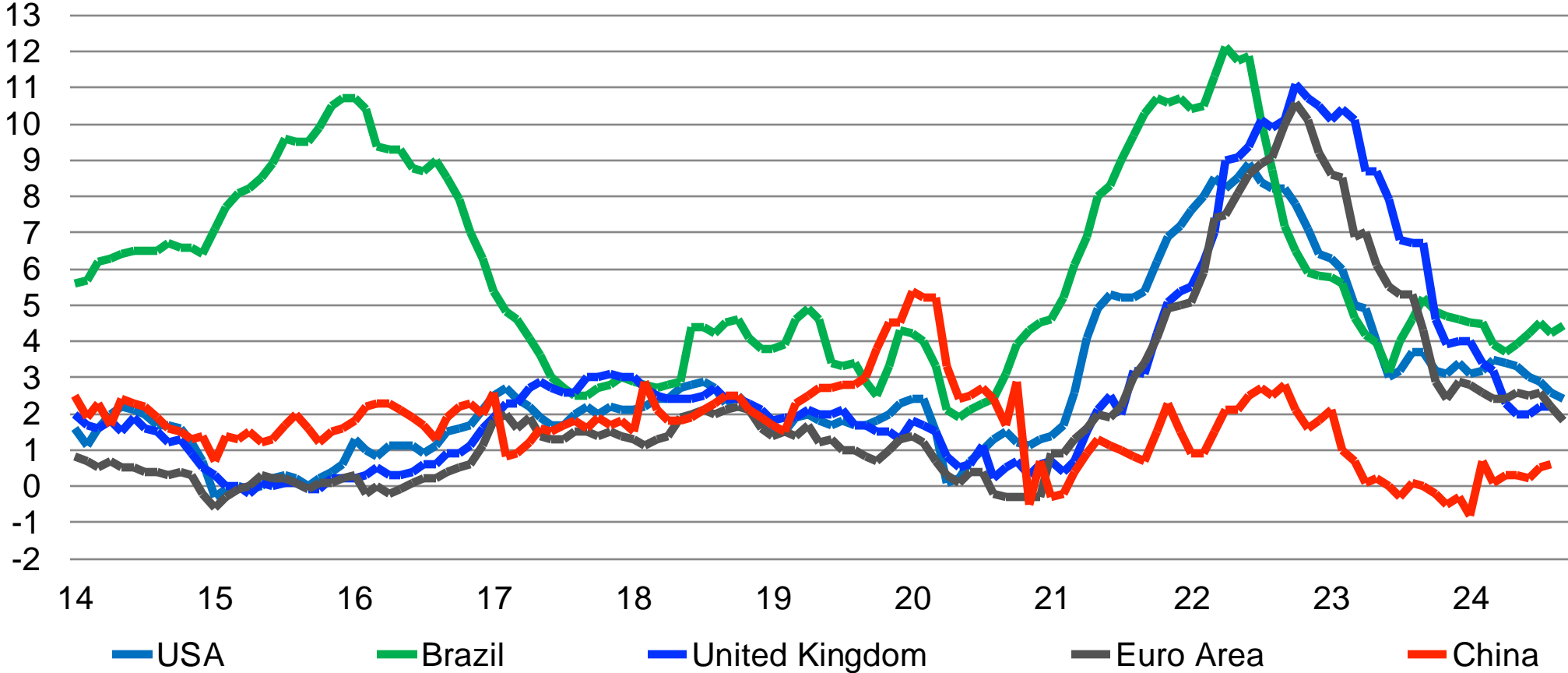
Global GDP outlook



Inflation has fallen around the world



% Change Year-Over-Year












Sources: Bureau of Labor Statistics, Office of National Statistics, Eurostat, National Bureau of Statistics of China, Instituto Brasileiro de Geografia e Estatística (IBGE)

Real GDP growth in major economies



% Change in Real GDP

									
	World	USA	UK	Euro Area	Japan	Brazil	Russia	China	India
2018	3.2	3.0	1.4	1.8	0.6	1.8	2.8	6.8	6.5
2019	2.5	2.5	1.6	1.6	-0.4	1.2	2.2	6.0	3.9
2020	-3.0	-2.2	-10.4	-6.1	-4.1	-3.3	-2.7	2.2	-5.8
2021	6.2	5.8	8.7	5.9	2.6	4.8	6.0	8.5	9.7
2022	3.0	2.5	4.3	3.4	1.0	3.0	-1.2	3.0	7.0
2023	2.7	2.5	0.1	0.4	1.9	2.9	3.6	5.2	7.8
2024	2.5	2.6	1.0	0.8	0.2	3.3	3.2	4.8	6.7
2025	2.7	1.8	1.4	1.4	1.1	2.1	1.6	4.3	6.6
<u>2026</u>	<u>2.8</u>	<u>2.2</u>	<u>1.6</u>	<u>1.3</u>	<u>0.8</u>	<u>2.0</u>	<u>1.3</u>	<u>3.8</u>	<u>6.7</u>
2027-36	2.6	1.8	1.2	1.0	0.4	1.5	0.5	3.5	5.2

Sources: BEA, OECD, IMF, World Bank, ICIS

Real GDP growth in major economies in the Americas



% Change in Real GDP



World



Argentina



Brazil



Chile



Colombia



Mexico



Peru



Canada



USA

	World	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Canada	USA
2018	3.2	-2.6	1.8	4.0	2.6	2.0	4.0	2.7	3.0
2019	2.5	-2.0	1.2	0.6	3.2	-0.3	2.2	1.9	2.5
2020	-3.0	-9.9	-3.3	-6.1	-7.2	-8.6	-10.9	-5.0	-2.2
2021	6.2	10.7	4.8	11.3	10.8	5.7	13.4	5.3	5.8
2022	3.0	5.0	3.0	2.1	7.3	3.9	2.7	3.8	2.5
2023	2.7	-1.6	2.9	0.2	0.6	3.2	-0.6	1.1	2.5
2024	2.5	-3.3	3.3	2.1	1.1	2.1	2.9	1.0	2.6
2025	2.7	3.6	2.1	2.5	2.9	2.0	2.8	1.8	1.8
2026	<u>2.8</u>	<u>4.5</u>	<u>2.0</u>	<u>2.3</u>	<u>3.0</u>	<u>2.1</u>	<u>2.5</u>	<u>2.2</u>	<u>2.2</u>
2027-36	2.6	1.0	1.5	1.3	1.9	1.9	2.6	1.6	1.8

The background features a dark blue field with vibrant, glowing particle trails in shades of cyan and light blue. These trails form complex, organic shapes that resemble a map of the world or abstract data flows. Overlaid on these trails are several sets of concentric, glowing circles that create a tunnel-like or ripple effect, drawing the eye towards the center of the composition.

Base oils trends and outlook

4 November 2024



Upstream – and on the sides

Crude prices slumped in September, recovered in October - until yesterday

Escalating armed conflict in the Middle East casts a shadow over Q4, 2025

OPEC+ members compliance with output cuts: a relative question

Post-pandemic concerns about China's growth remain

Freight rates from Asia slip in August and September, but are on the up again



Base oils: the numbers

- Globally, demand stood at 45 billion liters in 2023
 - Of which 2.6 billion liters corresponded to South America
 - Of which Brazil accounted for more than half (1.5 billion)
- US one fifth of demand, followed by China, India, Japan, Russia
- Brazil comes on sixth place, followed by Indonesia, South Korea, Mexico, and Canada



Groups I & II

- Supply outstrips demand – price falls likely
- Group II seeing more competitive activity
- Group I prices being pulled down as a result
- Re-refined Group II prices lower than virgin material

US



Groups I & II

US

- Production issues: Chevron's planned maintenance having limited market impact due to weak demand
- Excel Paralubes' unplanned rate reduction showing minimal effect
- SK Enmove lowers prices:
 - Group II+ 70N: -20 cents/gal (Oct 21)
 - Group III 4cSt & 8cSt: -20 cents/gal (Oct 21)
 - 6cSt: No change



Group III

- ICIS 4cSt prices continue falling
 - Supply continues outpacing demand
- Spot deals reported below ICIS low
- Additional supply incoming from: Middle East, Asia, South Korea
- 6cSt & 8cSt: more tightness

US



Mexico

- Traders discounting inventory to clear stock
- Weak overall demand
- Buyers reluctant to commit to large volumes
- One seller struggling with Middle Eastern material due to permits

70N mostly sold

100N still available

LatAm



Brazil

- Prices have fallen / are falling
- Brazil price changes (November vs October):
 - Average: -4.5%
 - Light neutral: -6%
 - Medium neutral: -3%
 - Heavy neutral: -5%
- Demand slowing in three major markets

LatAm



Lwart to invest R\$1bn to expand re-refining of lubricating oils

São Paulo plant will increase by half production capacity of recycled base oil, which goes back into the production process

Source: Valor, 23 October 2023

Petrobras to Resume Multibillion-Dollar Refinery Expansion, But Project Faces Hurdles

After 10 years, the state-owned company has resumed the capacity expansion project in Pernambuco, and which had come under the spotlight as part of the Odebrecht corruption case

Source: Bloomberg, 8 August 2023

'Custo Brasil' damning omnipresence



Adulteration and theft are concerns for the lubricants sector, says Iconic

Partnership between Chevron and Ipiranga seeks more incisive actions from authorities in favor of fairer competition in the segment

Source: Valor, 26 February 2024



Argentina

- Prices have fallen / are falling

- Argentine exports competing with US offers

- Demand hit hard by the recession

- Shock therapy seeks 'regime change' (again)

LatAm

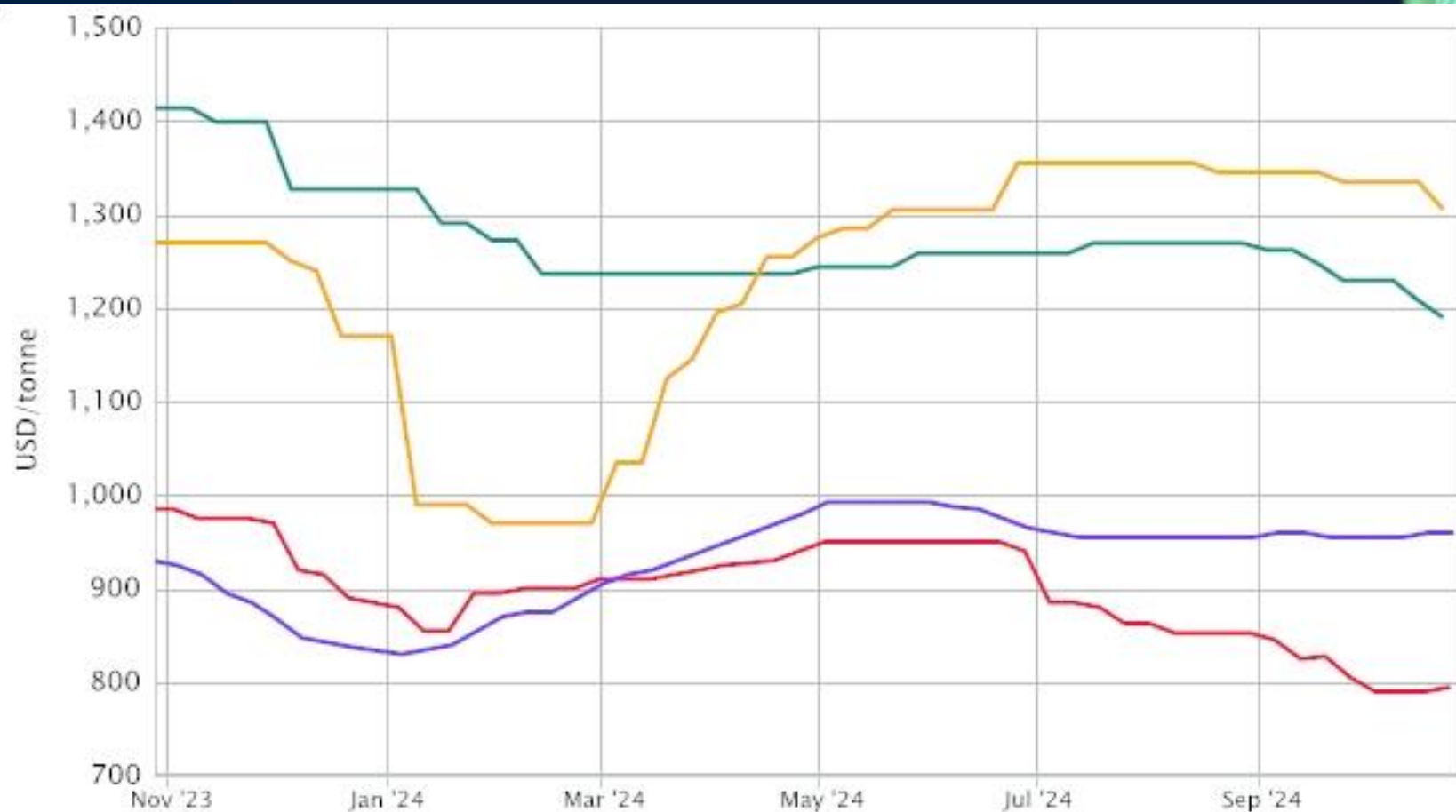


Who said sanctions?

“Russian product continues entering Latin America via third countries such Turkey or the UAE, especially in Dubai, which traders use as their operational bases.

“Russia needs to offload its oversupply, so traders are taking advantage of lower prices there. After purchasing, they store it in the Middle East, mix it with the product from the Middle East itself, and then ship it to the rest of the world.”

Market source in Brazil



- Base Oils Group I SN300/350 FOB USG Assessment Spot 2-6 Weeks Full Market Range Weekly (Mid)
- Base Oils Group II N150 CFR UAE Assessment Import Cargoes Spot 2-6 Weeks Full Market Range Weekly (Mid)
- Base Oils Group II N500 FOB Asia NE Assessment Spot 2-6 Weeks Full Market Range Weekly (Mid)
- Base Oils Paraffinic Brightstock FOB Europe Assessment Export Spot 2-4 Weeks Full Market Range Weekly (Mid)

Logistics

Uncertainty the only
certainty in an instable
shipping sector





Geopolitics

- Israel-Gaza war global implications

Climate-change related disruption

- Events in the Americas in 2023 and 2024: the awakening
 - Panama Canal
 - Parana River
 - Drought in Manaus in 2023 *and* 2024
 - And torrencial rains in the south – also in 2023 *and* 2024

Alternative sea route to the Red Sea

Red Sea/Suez Canal

- 7,400 nautical miles
- 22 days

Via Cape of Good Hope

- 12,300 nautical miles
- 37 days



Fonte: ICIS



New drought expected to disrupt shipping through Amazon River

Industrial companies estimate additional transportation costs of at least R\$500m by year-end

Valor, 13 August 2024



Parana River

South America's second largest waterway is also getting drier

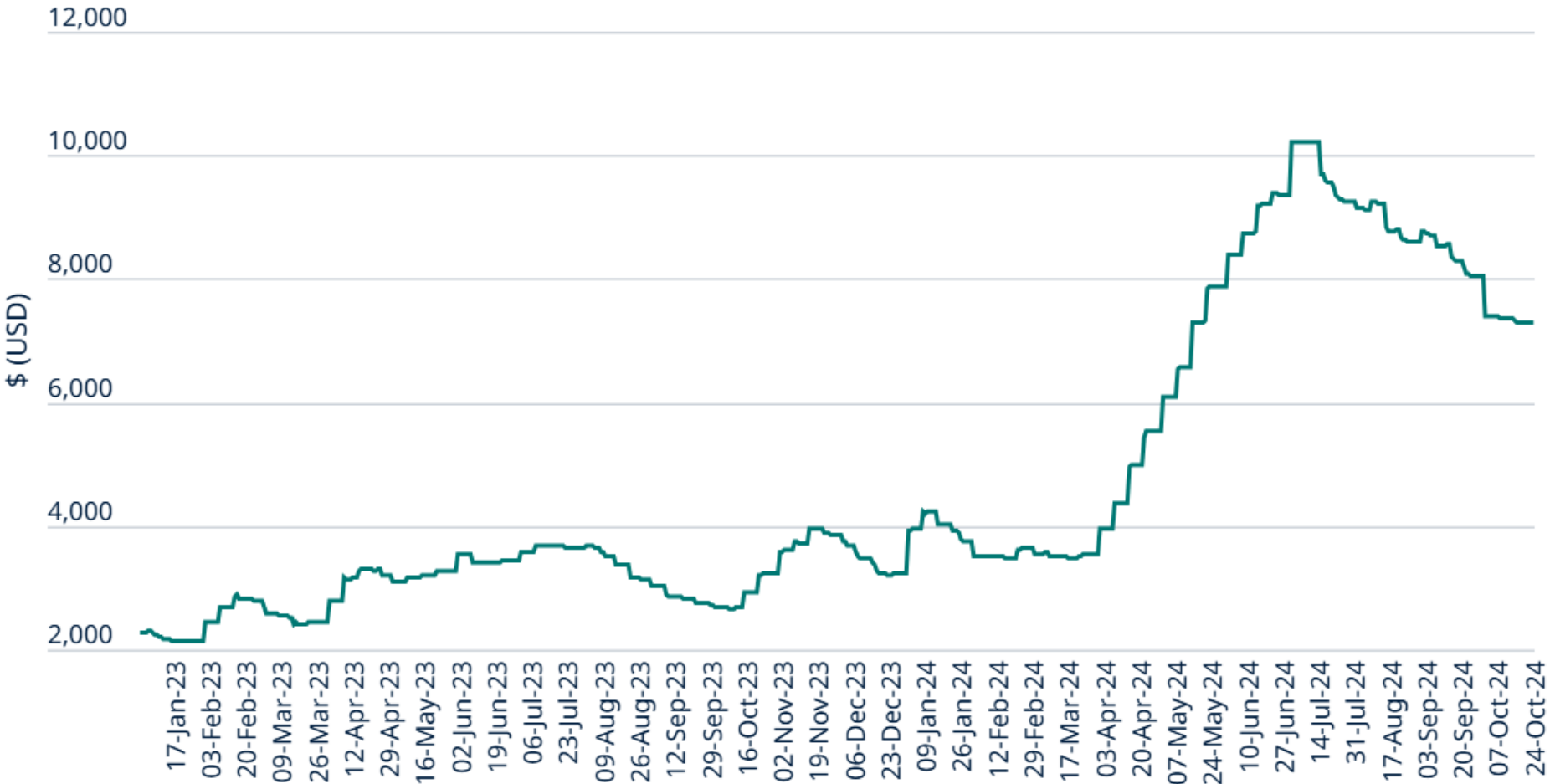
Montevideo-Asuncion deliveries by road where possible

Companies are having to plan more frequently for higher logistics costs



North China to South America East Coast shipping

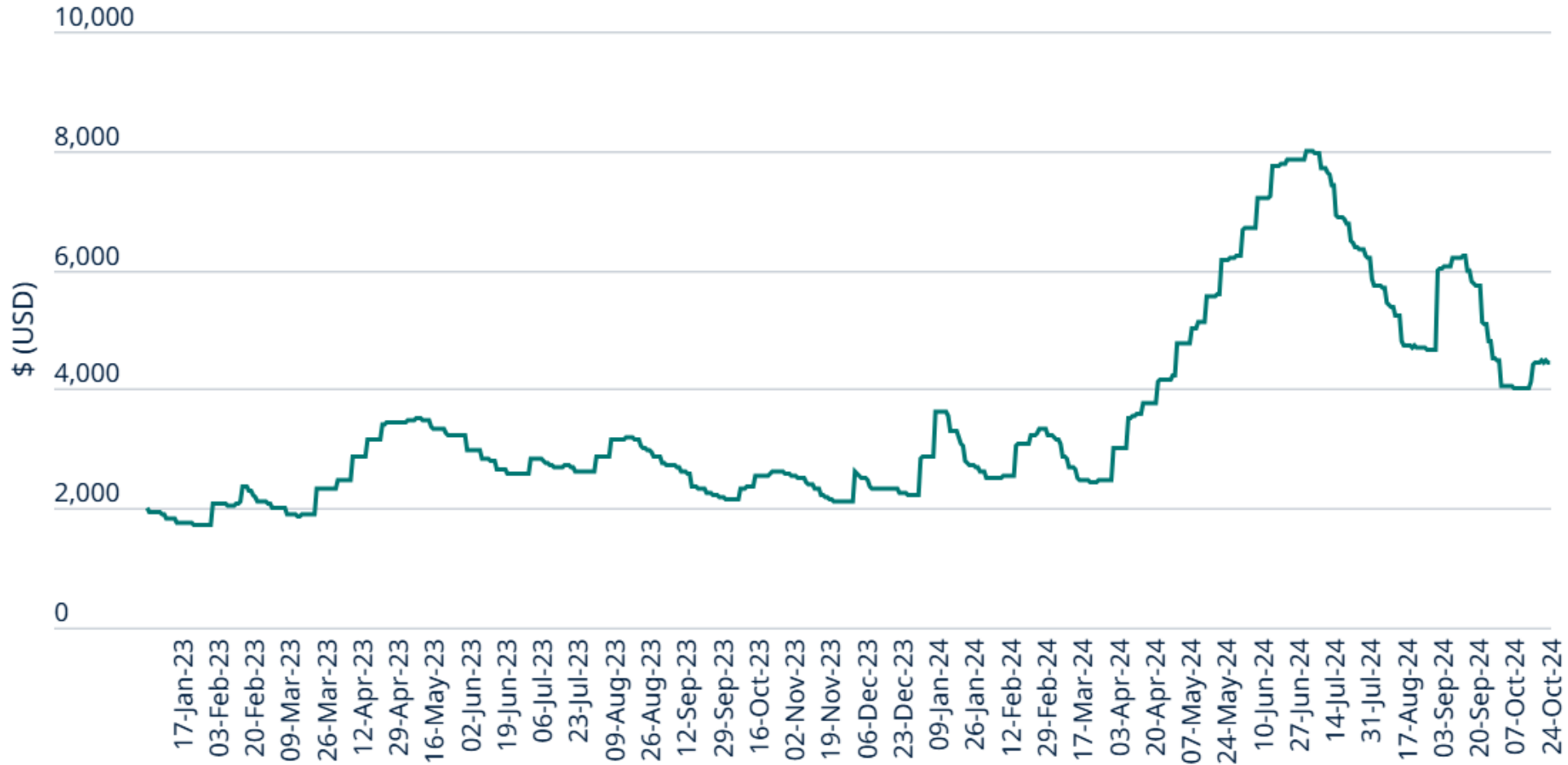
40ft Dry Cargo weekly container freight rates (short contract type, terminal handling charges at both ports)



SOURCE: Xeneta (updated till 24 October 2024, mean values used)

North China to South America West Coast shipping

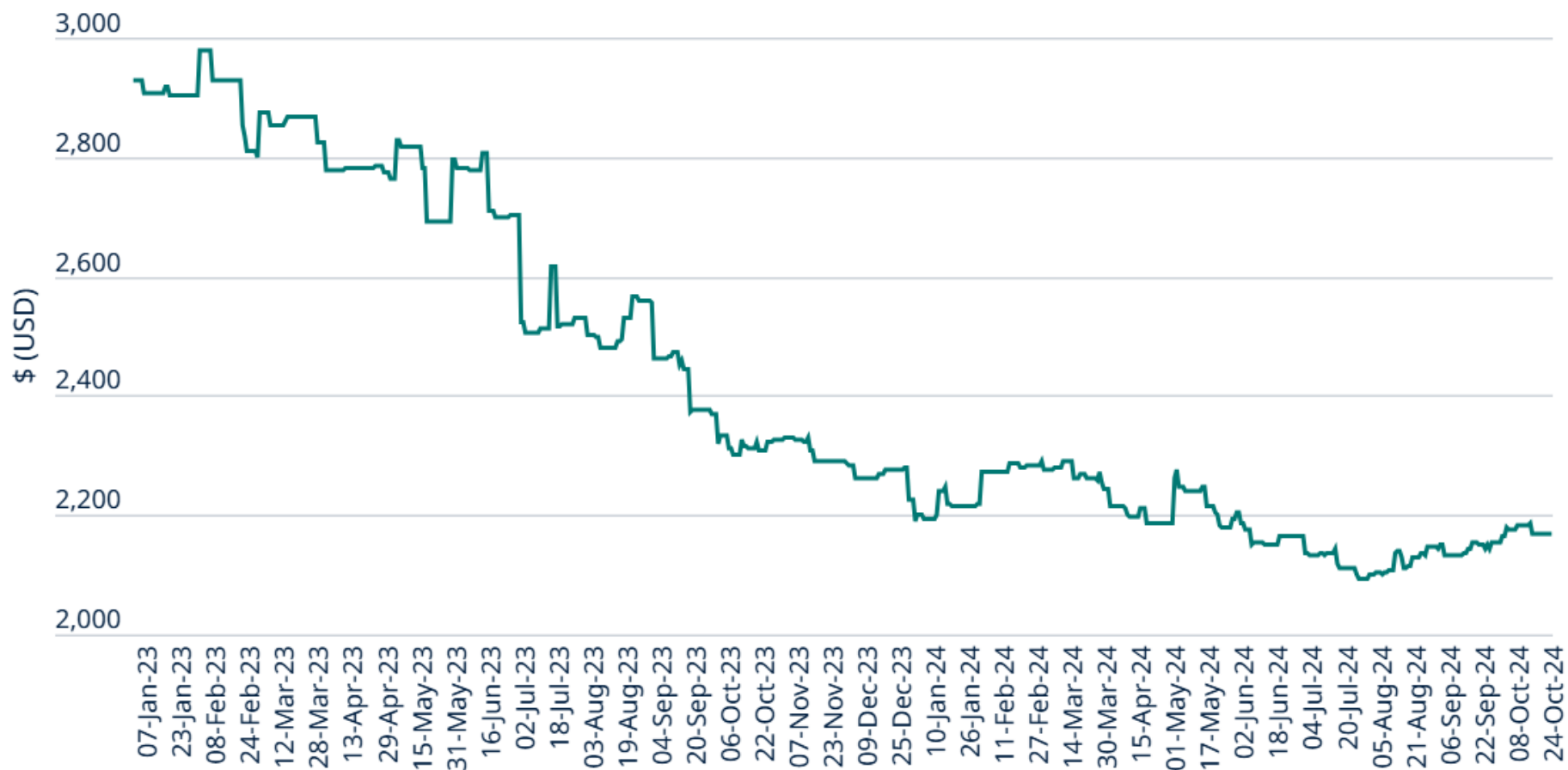
40ft Dry Cargo weekly container freight rates (short contract type, terminal handling charges at both ports)



SOURCE: Xeneta (updated till 24 October 2024, mean values used)

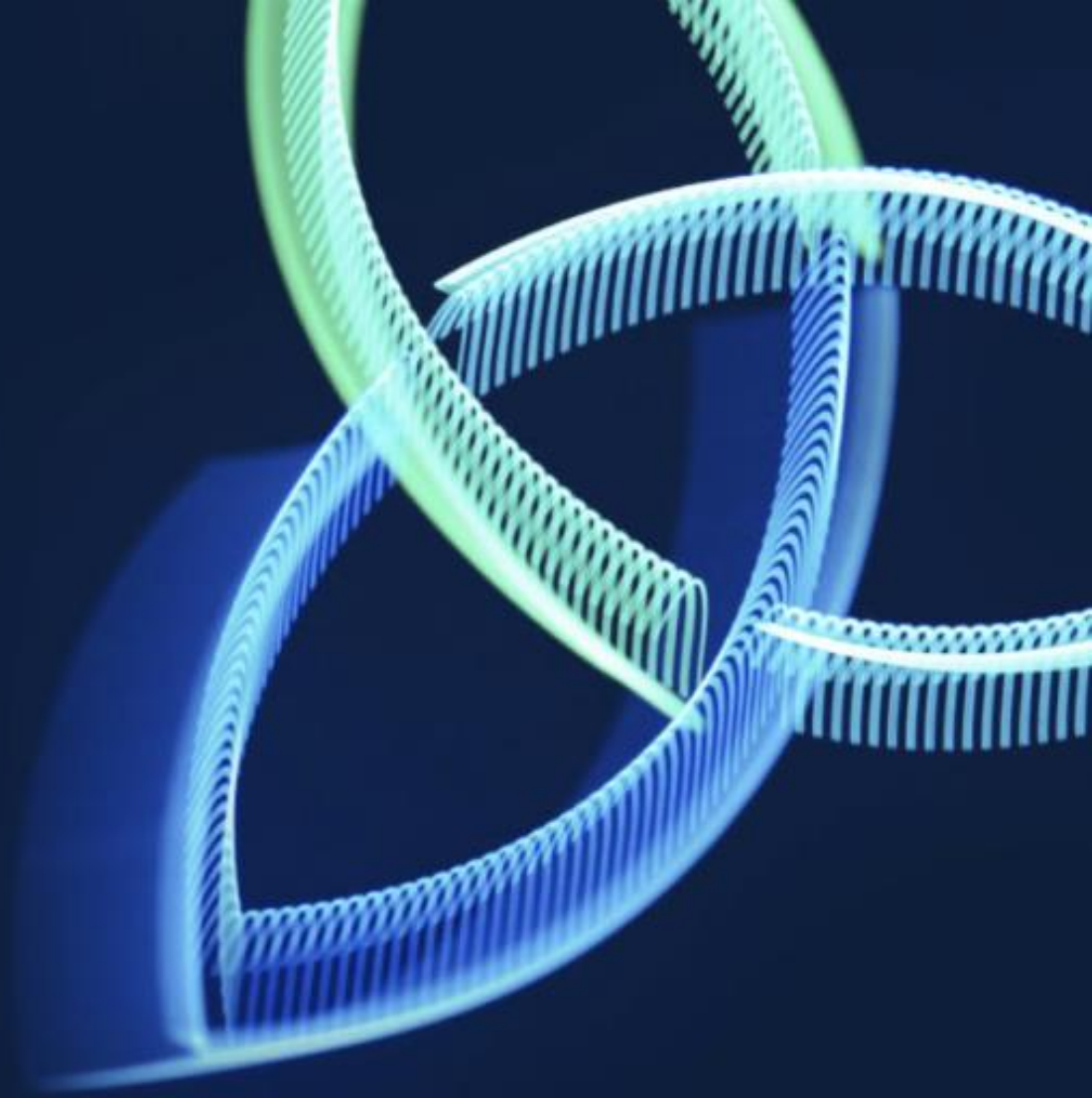
US Gulf Coast to South America West Coast shipping

40ft Dry Cargo weekly container freight rates (short contract type, terminal handling charges at both ports)



SOURCE: Xeneta (updated till 24 October 2024, mean values used)

Base oils, where do you see yourself in 30 years?



Automotive majors switch focus on EVs as consumers' concerns remain - Chevron



“This is happening after authorities in North America or Europe have poured tremendous amounts of money in trying to force (sic) everyone into the energy transition”

“The US’ Environmental Protection Agency had forced a ruling that by 2032 around two thirds of cars should be EVs. The EU issued a ban on ICE engines by 2035. Well, I think those targets will not happen”

“Moreover, now we are seeing a lot of protectionist tariffs against Chinese EVs: we want people to make and use EVs, but we don’t want the Chinese to make them”

Chris Castanien,

Global industry liaison, lubricant additive expert, Chevron

Source: ICIS, 2 July 2024

Four years on from the pandemic, consumers still favoring

Experiences versus products

Bad news for manufacturers,
bad news for base oils





LatAm economy: a re-think is needed

Extreme poverty decreases,
but daily life still a struggle for many

Restricts consumption:
Fewer goods – or experiences! – sold

Brazil's payments in 'parcelas',
the poor live in a never-ending credit spiral

ICIS Global Base Oils Content Team



EMEA Pricing



Eashani Chavda

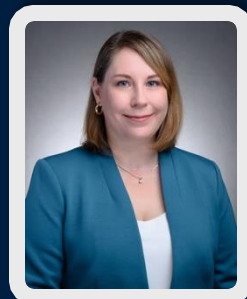


Samantha Wright



Veena Pathare

Americas Pricing



Amanda Hay



Lucas Hall

Asia-Pacific Pricing



Matthew Chong

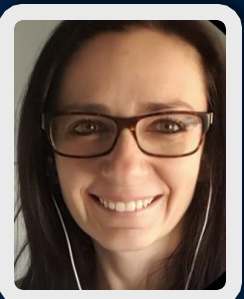


Whitney Shi

Data, Analytics and Consulting



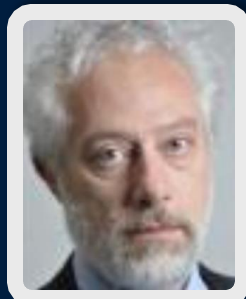
Michael Connolly



Alessia Succi



Gayathri
Ravachandran Geetha



Stefano Zehnder

ICIS' global base oils team comprises seven senior market editors across regions with a combined six-plus decades of commodity pricing experience and four data analysts, refining analysts and consultants with a combined seven decades of experience in the refining sector.

Reach our global team at baseoils@icis.com 

Thank you.

Jonathan López

ICIS Latin America correspondent

jonathan.lopez@icis.com

29 October 2024

