

 <p><b>BASE OIL AND LUBES MIDDLE EAST</b></p> <p><b>BLM</b> 10-11 APRIL 2019 Dubai, UAE</p>	<h1>Base Oil &amp; Lubes</h1> <h2>Middle East 2019 (BLM 2019)</h2> <p><i>Managing Change and Identifying Opportunities in an Oversupplied Market</i></p> <hr/> <p><b>10-11 April 2019, Dubai, UAE</b></p>	<p><i>Hosted &amp; Sponsored by:</i></p>  <p>إينوك enoc</p> <p><i>Organised by:</i></p>  <p>CONFERENCE CONNECTION</p>
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### Press Clipping

### Lubes ‘N’ Greases – 17 April 2019

#### **U.S. Base Oil Exports to Middle East Surge**

BY MARK TOWNSEND

DUBAI, United Arab Emirates – U.S. refiners export significant quantities of base oils to the Middle East despite the region’s substantial investment in API Group II and III production capacity. The United States’ export boom is driven by a surge in crude production and the fact the U.S. Gulf is the world’s cheapest refining region, an industry expert claims.

Base oil exports continue to climb because of refining economics, ClipperData Chief Executive Abudi Zein said at last week’s **Base Oil and Lubes Middle East Conference** in Dubai. “They have access to very cheap crude, volumes keep going up, and the rate of growth has been tremendous in the last few years,” Zein noted. The U.S. exported close to 2.5 million tons of base oils worldwide last year, he told delegates.

The jump in U.S. exports is mostly confined to Group II base oils but that should help offset a looming supply deficit of Group II base stocks. Despite talk of global oversupply, consulting firm A.T. Kearney forecasts that Africa and the Middle East will have a deficit of almost 1 million tons of Group II base stocks by 2025. Still, the Middle East was among the top 10 destinations of U.S. base oil shipments in 2018. U.S. refiners supplied around 50,000 tons of Group II base oils, 5,000 tons of Group V – which includes naphthenic base stocks and synthetics that aren’t polyalphaolefins – and nominal quantities of Group I to the region. But the pace of growth looks set to quicken this year, as by mid-March, the U.S. had already exported around 15,000 tons of Group II base oils, ClipperData says.

On current trajectory, Group II exports to the Middle East would surpass volumes seen in 2018, Zein predicts. Most U.S. exports ship to the port of Hamriyah, a free zone located in Sharjah, United Arab Emirates. Last year the port handled 26,279 tons of Group II base oils and 2,754 tons of Group V. The Horizon terminal in the U.A.E. port of Jebel Ali handled around 11,000 tons of Group II, and Vitol's Fujairah refinery, also located in the U.A.E., imported around 10,000 tons of Group II and 1,000 tons of Group I base oils. In neighboring Saudi Arabia, Saudi Aramco's Yanpet petrochemical plant imported just over 3,000 tons of Group II base oils through the Red Sea port of Yanbu al Bahr in 2018.

ClipperData also shed some light on the sourcing of base oils by Eppco in the U.A.E. and the export destinations of Group III base oils produced by Bahrain Petroleum Co. Emirates Petroleum Products Co., which operates a joint venture with Chevron and markets Enoc and Caltex lubricant brands, imported approximately 2,000 tons of Group I and 3,000 tons of Group II base oils from the U.S. in 2017. Meanwhile, Bapco, which launched its own BAPbase Group III base oil brand last year, is shipping to a broad array of destinations from a 400,000 t/y plant at Sitra, on the east coast of Bahrain.

According to Zein, the main export destination for Bapco's base oils is Northwest Europe, which received around 130,000 tons in 2018. "Most of it is going to Antwerp, where it is blended for the European market." The company exported almost 75,000 tons to the Middle East Gulf and shipped another 25,000 tons to Southern Europe, he adds. Yet, in a February presentation at the AMEA Bitumen and Base Oil conference in Dubai, Norman Sheppard, Bapco's base oil leader, said the company was also shipping significant volumes to Houston in the U.S.

Until the end of last year Bapco was part of a joint venture with Finnish refiner and marketer Neste, in which the Nasdaq Helsinki-listed company held a 45 percent share. But the JV was subject to renegotiation for 2019, and there is mounting speculation whether the agreement with Neste has been renewed. Two people in Neste's communications department did not respond to a question about the company's ongoing relationship with Bapco, while Bapco could not be reached for comment.

According to analysts, Neste – which markets base oils under the Nexbase brand – provided Bapco a pathway for technical approvals. Base oils with OEM approvals typically attract a pricing premium over non-approved base stocks. Any change in the status of Neste's relationship with Bapco would likely be a material development for the publicly quoted Finnish company, they add.

ClipperData compiles data on base oils cargoes as well as crude oil and petrochemicals, tracking movements through a combination of agents' reports, bills of lading, vessel tracking by satellite and berth identification.