

Weber Refinery Report



June 2021



In this month's Charles R. Weber refinery report, we provide readers with the latest developments in the refinery sector as they relate to the seaborne refined product trade and refined product tanker shipping. The report mixes up-to-date news with detailed information about global refinery capacity and seaborne trade in order to understand how seaborne trade patterns and product tanker profitability will develop, in both the short and medium term.



Tentative signs of recovery in seaborne Product trades - June 2021 - Based on Customs data for 1Q21, there are early signs of a pick up in Product trade, with quarterly volumes the highest since 1Q20. However, notions of recovery should be treated with caution, as 1Q21 trade was still down 8.5% y/y, and was the lowest prior to 2020 since 1Q15. The impetus for increased use of renewables is also likely to constrain any recovery in a number of Product sectors.

At a commodity level, Naphtha +5.5% y/y and Lubricating Oils +12.5% y/y were the only Products to register positive growth in 1Q21. By contrast, heavy Products like Fuel Oil -10.9% y/y and Gasoil/diesel -8.7% y/y remain in the doldrums. Gasoline trade although down -3.8% y/y showed promise having increased in 1Q21 for the fourth consecutive quarter.

In contrast to the global picture, US Product exports showed no signs of recovery in 1Q21 (-26.5% y/y) and were only just above the low point seen in 2Q20. Only Naphtha +6% y/y showed positive growth. US Product imports -13.3% y/y also continued in depressed fashion in 1Q21.

In terms of export destination, it is necessary to go down to 9th position to find a positive growth trade in 1Q21, with Japan +76% y/y. South Korea +103% y/y was the next growth trade in the list at 13th position. Not even the long haul characteristics of both trades is likely to give exporters much cheer.



St Croix Refinery to shut indefinitely - Jun 2021 - Having reopened only in February, Limetree Bay Energy announced 21 Jun that it was to shut indefinitely its 210Kbd facility.

The closure follows on from the recent order by the US Environmental Protection Agency to suspend operations, citing "multiple improperly conducted operations". The facility only resumed operations in April after another full shutdown, following an unspecified operational issue.

ArLight Capital Partners and EIG Global Energy Partner were given the order followed a flaring session, which released oil droplets over nearby neighbourhoods, putting it in breach of the Clean Air Act. A second breach was identified, when it was deemed to have exceeded the limit of sulphur dioxide emissions.

If you have questions or comments, please contact Charles R. Weber Research.

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Latest

 **Massive Blaze Engulfs Tehran Refinery - June 2021** - Shahid Tondguyan oil refinery to the south of Tehran was reported to be on fire in early June. The fire started shortly after the sinking of the Kharg, an Iranian naval vessel, close to Karg Island. It coincides with a period of optimism in the West that Iran might be brought back into the nuclear accord.

 **1 Shell continues refinery divestment programme - May 2021** - In May, Shell reached an agreement for the sale of the Mobile Chemical Refinery in Alabama to Vertex Energy. The transaction is expected to close in 4Q21, subject to regulatory approvals.

This sale follows other recent sales of its 50% joint venture stake in the Deer Park Refining Limited Partnership and also the sale to HollyFrontier of its 149kdb (7.45Mnta) Puget Sound refinery and related logistics assets near Anacortes in Washington, also scheduled to close during 4Q21.

 **Donges refinery won't restart until 2022 - May 2021** - Total's 222kdb (11.1Mnta) Donges refinery in France is to remain offline until at least mid-March 2022, after planned maintenance was brought forward to November through to February due to weak demand. The plant has been shut since late last year on economic grounds.

 **2 Emerald Biofuels' Port Arthur renewable diesel production facility gets go ahead - May 2021** - Emerald Biofuels has been given authorisation to construct a renewable diesel production facility at the GT OmniPort site of Port Arthur on the Texas State Highway 73, which will convert approx. 7.865kdb of pre-treated solid waste into approx. 105Mngal/year of renewable diesel fuel. Other products will include approx. 20Mn gal/year of naphtha, LPG, lean gas and soapstocks.

 **Marsden Point refinery closure set to be put to shareholder vote - May 2021** - Refining NZ has reached an "in principle" agreement with Z Energy to convert its Marsden Point oil refinery to a refined fuels import terminal by the middle of next year. It is considering putting the proposal to a shareholder vote before the end of September, and would need 75% of the votes in favour in order to approve the proposal.

 **1 IEA Report predicts surge in worldwide new renewable generation - May 2021** - The weakness of seaborne Product trade was put into context by a new report from the International Energy Agency, which detailed the decline in all fuels in 2020 due to the COVID-19 pandemic, with the exception of renewable fuels.

 **1 Gothenburg biorefinery successfully revamped - May 2021** - Topsoe and Preem are reported to have successfully revamped the Gothenburg refinery, achieving 85% co-processing of renewable feedstock, and continue to advance the field of renewable fuel production. The revamp of the Swedish refinery will enable it to produce 5MnCum of renewable fuels by 2030. Preem uses tallow and raw tall diesel as main feedstocks.

 **1 Australian financial plan aimed at encouraging remaining oil refineries to stay - Jun 2021** - Australia's two remaining oil refineries, Ampol's Lytton refinery and Viva's Geelong refinery, will be encouraged to remain operational under a plan offering up to 1.8 cents per litre on fuel they produce until 2030.

This along with the federal government announcement of additional funding for refinery upgrades is aimed at shoring up the nation's fuel security.

 **3 CVR to move focus from crude oil production to renewable fuels - Jun 2021** - CVR Energy has announced it is no longer interested in acquiring crude oil refineries and will set aside \$10 Mn (€8.2 Mn) to focus on its renewable diesel initiatives, including the completion of process design to convert an existing hydrotreater at the Coffeyville refinery in Kansas to renewable diesel.

The company is also soon to complete the process design and the ordering of long-lead equipment for a feed pretreater to lower carbon intensity and feed cost at its Wynnewood refinery in Oklahoma, which plans to produce renewable fuels by 3Q21.

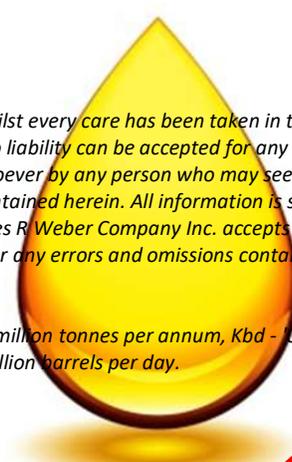
 **1 NNPC considering 20% stake in Dangote refinery - May 2021** - Nigerian National Petroleum Corporation's (NNPC) Chief Operating Officer Mustapha Yakubu has revealed that discussions are ongoing for the acquisition of about 20% minority stake in the Dangote Refinery currently under construction.

 **New operator for Curacao's Isla refinery - May 2021** - Refineria di Korsou (RdK) has reached an agreement with CORC BV for the operation of the 335kdb (16.75Mnta) Isla refinery in Curacao.

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***Notes:** Mnta = million tonnes per annum, Kbd = 1000 barrels per day, Mnbd = million barrels per day.*

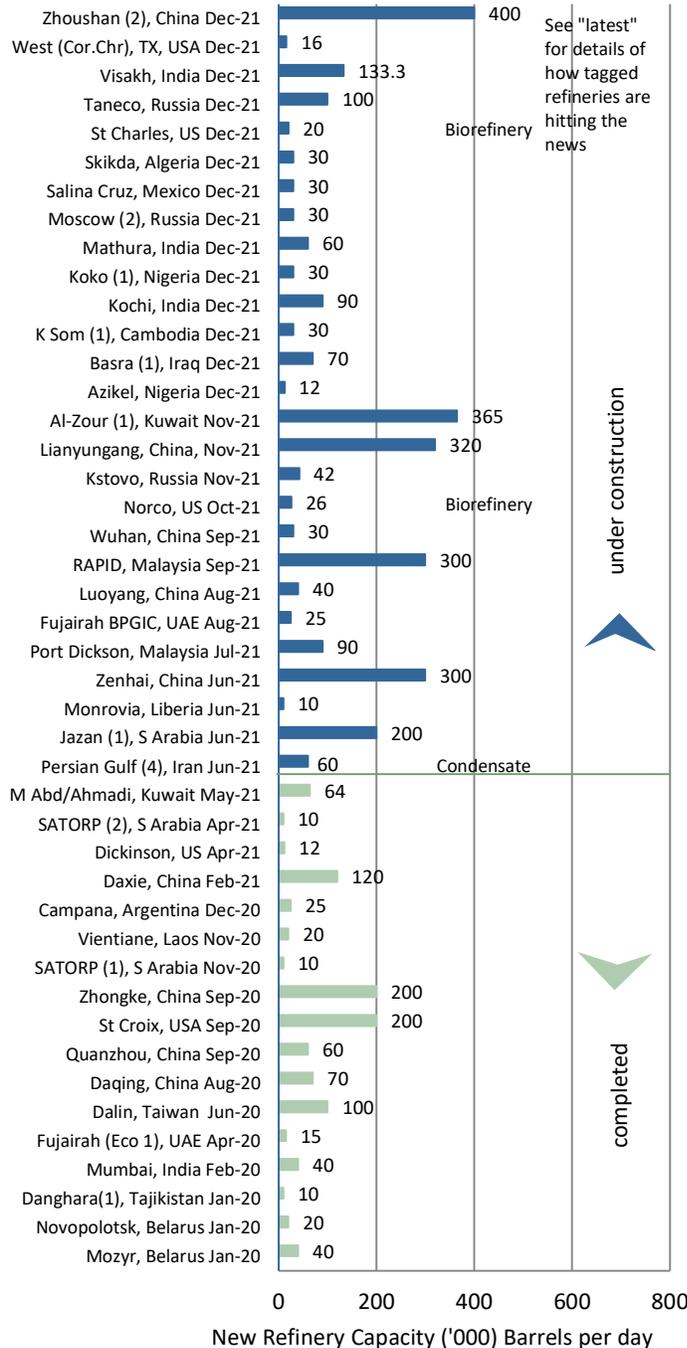
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Timeline

Recent and Planned Refinery Additions



We estimate that net global refinery capacity additions amounted to 0.85Mnbd in 2020, while closures (either permanent or temporary) since March 2020 and the onset of the COVID-19 crisis have totalled 3.8Mnbd. There is 3.1Mnbd of new capacity scheduled for completion in 2021, but we expect commissioning of a sizeable amount of this capacity to be delayed.

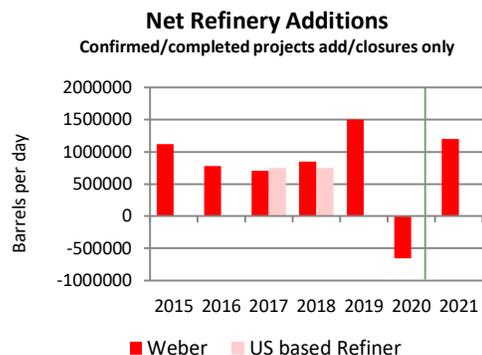
Net refinery additions of 1.5Mnbd were recorded in 2019. This built on increases of 0.8Mnbd in 2018, 0.7Mnbd in 2017, 0.8Mnbd in 2016, 1.1Mnbd in 2015, 0.9Mnbd in 2014, 1.3Mnbd in 2013 and 1.1Mnbd in 2012 (the latter two numbers are based on BP data).

Of the projects slated for completion in 2021, China leads the way with 1.2Mnbd, followed by Kuwait 0.4Mnbd, Malaysia 0.4Mnbd and India 0.3Mnbd. There are a further 14 countries having >10Kbd under construction.

16 new refinery additions (each adding >=10Kbd) in 2014, 24 in 2015, 20 in 2016, 15 in 2017, 17 in 2018 and 10 in 2019.

In 2014-15, closures accounted for more than 1Mnbd of capacity. The rate of closures declined to 0.5Mnbd in 2016, 0.9Mnbd in 2017 and 0.2Mnbd in 2018/19 combined. We saw around 1.4Mnbd of planned or completed capacity closure or conversion in North America alone from late 2019 to end 2020.

The refinery timeline chart (left) is derived from Weber's own detailed tracking of new refinery projects. The chart below compares our summary forecast for refinery additions 2015-2020 with that provided by a large US based refiner. This comparative forecast factors in project delays beyond those reported by the refiners themselves.



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