

# Weber Refinery Report



October 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.*



**Global seaborne product trade recovery slows in 3Q21** - Oct 2021 - After peaking in 4Q18, the seaborne products trade had been tracking a downward trajectory, exacerbated by the impact of COVID-19. It finally received a boost in 2Q21, expanding by 8.8% y/y. However, vessel movements data indicates the pace of recovery in trade volumes slowed in 3Q21.

With Customs trade data still coming in, information required to build a comprehensive picture of product trades in 3Q21 is patchy. For example, in September it was reported that China's exports of clean marine bunkers, or very low-sulphur fuel oil (VLSFO), dipped 2% y/y in August. Conversely, China fuel oil imports increased in August, with refiners forced to resume purchasing the fuel oil as a feedstock for their plants because of tightening crude oil import quotas.

Looking at the relative performance of different product tanker sectors in 3Q21, LR2 is the star performer with activity levels close to those in 2019, indicating that long haul trades have seen the most improvement in recent months. Both LR1 and MR sectors have performed relatively poorly.

In terms of regional performance, there is evidence from vessel movement data to suggest that activity in US markets is relatively subdued compared with Asia.

**ADNOC reportedly drops plans for new Ruwais refinery** - Oct 2021 - Abu Dhabi's national oil company ADNOC has reportedly shelved plans to build a new 400Kbd (20Mnta) refinery because it is 'not economically attractive' under current market conditions.

According to reports, the proposed new facility would have been located near Ruwais, where ADNOC already operates a huge site composed of two complexes – Ruwais Refinery East and Ruwais Refinery West – which collectively have capacity for 0.84Kbd.

Latest

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

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**Refinery bidder to conduct due diligence on St Croix refinery - Oct 2021** - St Croix Energy, a company that has emerged as a bidder for the idled St Croix refinery, is to engage SLR International to perform environmental due diligence and assist in creating a plan to safely operate the facility.

**CPCL awards contract for grassroots Cauvery Basin refinery - Oct 2021** - Chennai Petroleum (CPCL) has awarded a contract to McDermott International to provide a suite of consultancy services for a grassroots 180kbd (9Mnta) refinery at Cauvery Basin in Nagapattinam, India, and plans to begin work during 4Q21.

**Neste to sell base oils business to Chevron - Oct 2021** - Neste has signed an agreement with Chevron to sell its existing base oils (lubricating oils) business, and a combination of share and asset deals forming Neste's entire global base oils business. Part of the deal includes a long-term offtake for Neste's base oils supply from their Porvoo refinery.

**1 BP to invest in projects for Cherry Point refinery - Oct 2021** - BP is investing in a series of new projects to improve efficiency, reduce emissions and expand renewable diesel production at its 238.5kbd (11.9Mnta) Cherry Point refinery in Washington.

Projects include a \$169-Mn hydrocracker improvement project (HIP), due to be completed in 2023, which will enable the unit to consume less hydrogen; a \$55-Mn cooling water infrastructure (CWI) project, also targeted for commissioning in 2023.

A third major investment includes the \$45-Mn renewable diesel optimization (RDO) project, which aims to expand the refinery's current renewable diesel production capacity to an estimated 2.6MnBbls/year in 2022.

**CNOOC yet to make a decision on Lake Albert FID - Oct 2021** - Uganda's Lake Albert oil project, Kingfisher, is still awaiting on a final investment decision (FID) from CNOOC, as the Chinese company is still wanting the government of Uganda to fulfil certain conditions.

The Kingfisher project is expected to produce up to 40kbd (2Mnta) when it becomes operational in 2025.

**1 SEAB and Limak sign initial agreement for new Qayara refinery - Oct 2021** - SEAB and Limak Holding have signed an initial agreement with North Refineries to invest in a new 70kbd (3.5Mnta) Qayara refinery in northern Iraq.

**1 Repsol is to carry out a deep maintenance shutdown - Oct 2021** - Repsol is to carry out a deep maintenance shutdown in the conversion and hydrotreatment areas of its Cartagena refinery in Spain, starting in October.

**2 Hilcorp considers purchase of Alliance refinery - Sep 2021** - Hilcorp is evaluating the option of purchasing Phillips 66's refinery in Alliance, Louisiana, for conversion into an oil export terminal.

The plant currently faces a monthslong shutdown for repairs following flooding from Hurricane Ida.

**2 Livorno refinery to stop fuel output in 2022 - Oct 2021** - Eni has told the trade union representing workers at its 84kbd (4.2Mnta) Livorno refinery, in Italy, that the site will stop producing fuels permanently in 2022, but base oils production will continue.

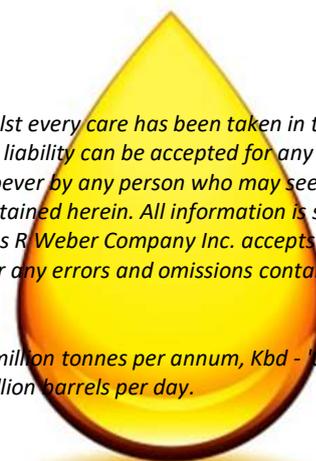
**1 Russia's Kirishi refinery awarded contract for delayed coking complex - Oct 2021** - Kirishinefteorgsintez (KINEF) has awarded a contract to Lummus Technology to supply proprietary fired heaters for construction of a new delayed coking complex at the 402kbd (20.1Mnta) Kirishi refinery in Leningradskaya Oblast, Russia, that will convert heavy oil residues into valuable lighter products.

**4 REFAP refinery sale process collapses - Oct 2021** - Petrobras and Ultrapar have agreed to end negotiations for the proposed purchase of the 208kbd (5.4Mnta) Refinaria Alberto Pasqualini (REFAP) refinery, Brazil, and associated assets in Rio Grande do Sul, after they failed to reach a mutual agreement on completion of the sale and purchase process.

**2 Tuapse refinery impending turnaround will affect Med Shipowners - Sep 2021** - Rosneft's 240kbd (12Mnta) Tuapse refinery, located on the Black Sea coast in southern Russia, is due to start a turnaround in early November, lasting until mid-December, which will affect Mediterranean shipowners, who typically rely on increased outgoing volumes of refined products from the Black Sea in the winter.

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



**Latest  
continued...**

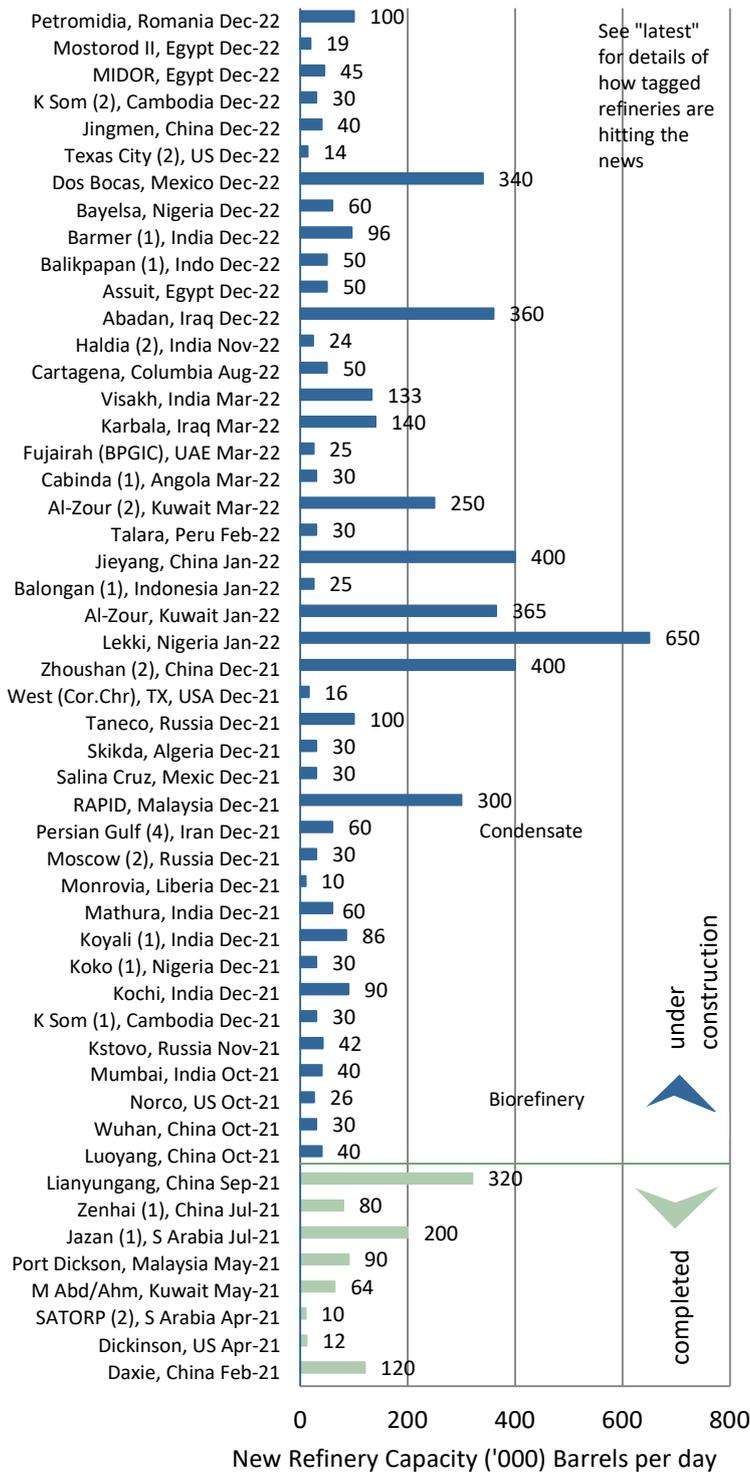
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# Timeline

## Recent and Planned Refinery Additions



We estimate that net global refinery capacity additions amounted to 0.81Mnbd 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 2.4Mnbd of new capacity scheduled for completion in 2021, but we expect commissioning of a sizeable amount of this capacity to be delayed.

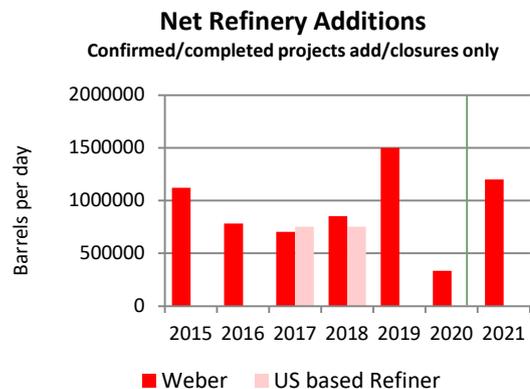
Net refinery additions of 1.5Mnbd were recorded in 2019. This built on increases of 0.8Mnbd in 2018, 0.7Mnbd in 2017, 0.8Mnbd in 2016, 1.1Mnbd in 2015, 0.9Mnbd in 2014, 1.3Mnbd in 2013 and 1.1Mnbd in 2012 (the latter two numbers are based on BP data).

Of the projects slated for completion in 2021, China leads the way with 2.3Mnbd, followed by Malaysia 0.4Mnbd, India 0.4Mnbd and Kuwait 0.2Mnbd. There are a further 12 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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