

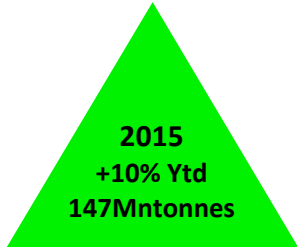
# Weber US Product Trade Report

September 2015



In this month's Charles R Weber US product trade report we provide readers with the latest developments in the US seaborne refined products trade, *based on trade data up to second quarter 2015*. This includes identifying the fastest growing trades by commodity and country. The primary focus of the report is to allow market participants to keep up to date with changes in a rapidly expanding, "oil and gas shale revolution" fuelled, export market.

## Exports



- The latest trade figures up to end 1H15 show that US product exports continued to recover following a lacklustre 4Q14. Exports increased by 10% in 1H15 compared with 1H14, which is an improvement on 2014 (5.1% yoy), and comparable with 2013 (10.2% yoy).

- The strength of the export market in 1H15 is reflected in USG refinery utilisation, which increased from 87% in mid-March to 96% by the end of July (equivalent to an extra 1Mnbd), and by strong MR rates (averaging >USD30,000pd in June-July before falling back in August).

- Having managed the challenges posed by significant new refinery capacity additions in the Middle East and Asia e.g. Jubail refinery (400Kbd, Dec 2013), Yasref refinery (400Kbd, Dec 2014), and Ruwais refinery (400Kbd expansion, Feb 2015), the US refinery sector is facing a new challenge caused by falling global oil prices that are threatening to undermine its cost advantage over the rest of the world.

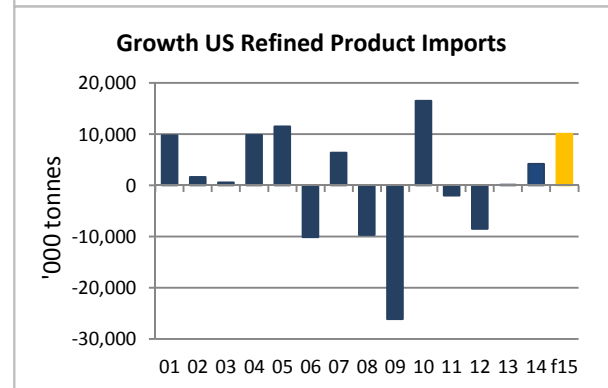
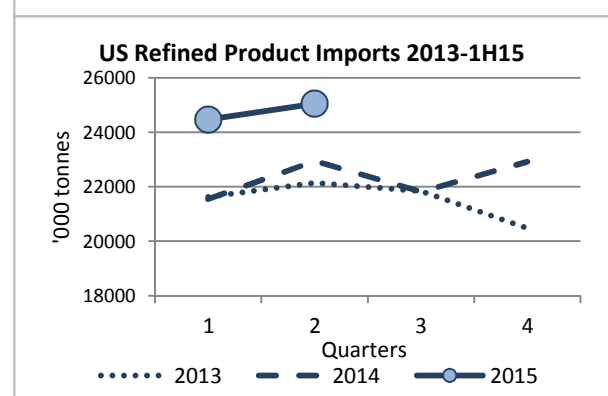
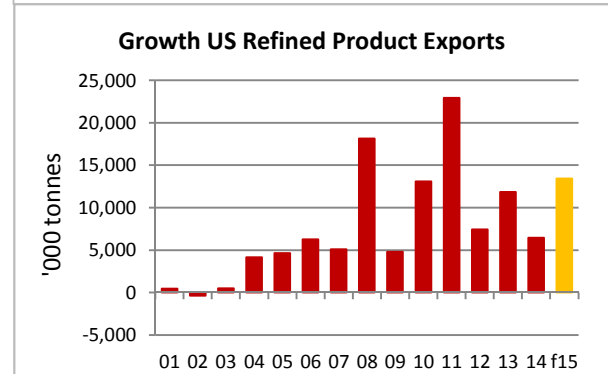
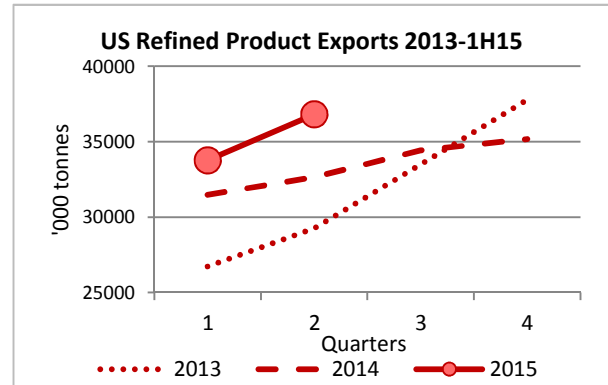
- The impact of rising competition is shown by the trend - discussed last quarter - for US exporters to increasingly rely on their core South American markets. South American imports from the US increased by 18% in 1H15, while its market share hit 61% up from 57% in 2014, and 53% in 2013.

- Naphtha (+25%) and Kerosene/jet fuel (+21%) were the best performing exports in 1H15 from the main product groups. Gasoil/diesel (38% market share) remains the dominant US product export. After declining by 1% in 2014 yoy, it recovered somewhat in 1H15 (+4%).

- The outlook for refinery activity for the remainder of the year is mixed. Stocks remain high, but crude oil production momentum has petered out, and output has started to fall. This coupled with the erosion of its cost advantage as a result of weak oil prices may mean a weaker than expected end to 2015 for product exports.

- The outlook for refined product exports was further clouded by the IMF's downward revision (October 2015) in its 2015 and 2016 world economic growth forecasts to 3.1% (from 3.3%) and 3.6% (from 3.8%) respectively.

- On a more positive note, the IEA (October 2015) expects global oil demand growth to climb to a five-year high of 1.7Mnbd in 2015, before moderating to a still above-trend 1.4Mnbd in 2016



If you have questions or comments, please contact Charles R Weber Research  
**John M Kulukundis:** [jmk@crweber.com](mailto:jmk@crweber.com), **George P Los:** [gpl@crweber.com](mailto:gpl@crweber.com)  
[www.crweber.com](http://www.crweber.com)

# Fastest growing export commodities

## 2. Naphtha

e2015 10.2Mntonnes, +25% yoy

**Mixed picture for fast growing export**

- Rate of growth slowed slightly in 2Q15 qoq, but still a strong performer.
- +ve - The shale revolution gave US exporters a cost advantage over ROW.
- -ve - It is being displaced by abundant cheap ethane as a petrochemical feedstock.
- Viability of new condensate crackers threatened by more relaxed view of crude export laws governing the export of unprocessed condensate.
- Venezuela and Colombia are the main destinations. Also markets in Asia (e.g. China, Japan, SKorea), but growth slow.

## 4. Gasoline

e2015 30.4Mntonnes, +10% yoy

**As an associated product of gasoil/diesel production, there has been a scramble to find overseas markets**

- Latin America is the principle destination for US exports, and exports continued to surge in 2Q05 for a number of export destinations e.g. Ecuador, Panama, Mexico, Colombia & Guatemala.
- However, there was less positive news for exports to other regions.

## Propane & Butane

e2015 27.9Mntonnes, +67% yoy

**Competing with naphtha in the petrochemical feedstock export market**

- Growth rate accelerated in 2Q15 qoq.
- LPG included here as its story overlaps with export growth in the product sector - both driven by shale.
- The US became a net exporter of LPG for the first time in 2012.
- Like Naphtha, US exporters are starting to open up markets in Asia. Exports to China have taken off.

## 3. Kerosene/jet fuel

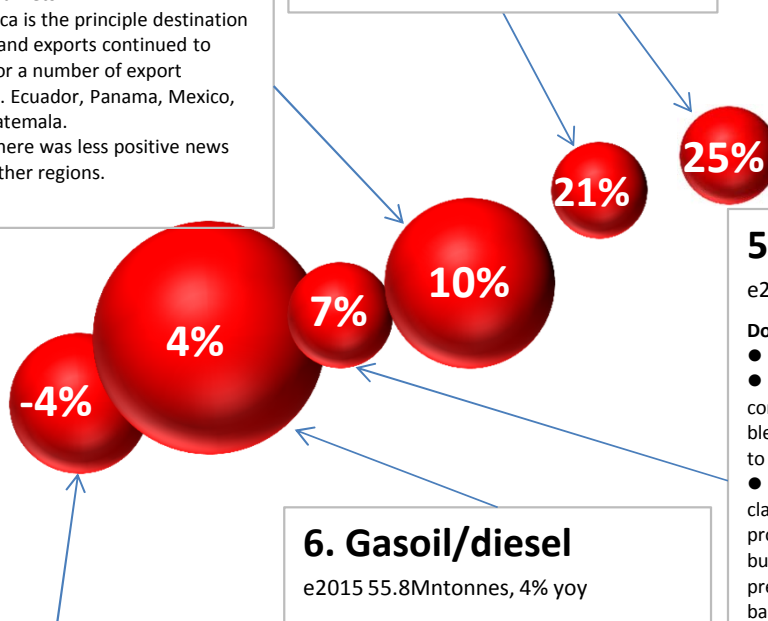
e2015 10.6Mntonnes, +21% yoy

- Unable to maintain the strong start to the year in 2Q15. Nevertheless, growth still running well ahead of full year 2014 (+7%).
- The largest trade to Nigeria performed particularly poorly in 2Q15.

## 1. Lubricating Oil

e2015 9.2Mntonnes, +80% yoy

- Growth rate accelerated in 2Q15 qoq.
- More usually considered as part of the chemical rather than product family in terms of seaborne transportation
- Having been the second fastest commodity export trade in 2014, it has surged to No.1 in 2015
- However, important to note that it accounts for just 6% of the US refined product export trade.



## 5. Other Products

e2015 12.0Mntonnes, +7% yoy

**Dominated by diluent exports to Canada**

- Growth rate accelerated in 2Q15 qoq.
- Dominated by natural gasoline (plant condensate as diluent) exports to Canada for blending with heavy Canadian bitumen crude to facilitate pipeline flow.
- In Dec 2014, a US Government rule clarification opened up the prospect of processed lease condensate exports (similar but distinct from plant condensate), previously thought classified as crude oil and banned from export (except to Canada). RBN Energy estimates that 230Kbd of plant condensate might be looking for an overseas market by end 2015, which might open up brand new seaborne trades

## 6. Gasoil/diesel

e2015 55.8Mntonnes, 4% yoy

**Largest trade, and expanding again**

- Growth rate unchanged 2Q15 qoq.
- The largest US refined product export with 39% of the market, it returned to growth in 1H15 after posting a 1% full year decline in 2014.
- Latin America accounts for 7 countries in the top 10 list. A failure to deliver refinery plans has helped underpin its import requirement
- While growth overall is up, individual country demand appears volatile. UK demand increased by over 100% in 1H15 compared with 1H14, while French demand declined by 20%.

## 7. Fuel Oil

e2015 19.6Mntonnes, -4% yoy

**Excluded from the shale revolution and stagnant/in decline**

- After a very poor 1Q15 across most of the main trades, 2Q15 was up 1.2Mntonnes qoq with the largest trades, Singapore and Panama, leading the recovery.
- Netherlands and Egypt have been the poorest performing on the main import destinations overall in 1H15.

**How to read the chart:**

*Size of sphere for each commodity indicates total export volume Ytd, while percentage number within sphere indicates % change yoy*

Figures based on US exports for first quarter 2015

# Fastest growing export regional destinations

**Established regional markets** (NAMr, LAmr, Europe), **88%** Mkt Share, **+12%** Yoy (1H05)

## South America

90Mntonnes, +18% Yoy (1H05), up from +14% in 1Q15

South America accounts for 61% of total US product exports. This is up from 57% in 2014 and 53% in 2013

Gasoline exports from the US to Latin America account for about 20% of all US refined product exports. This trade is forecast to increase by up to 30% Yoy in 2015.

Naphtha exports increased by 44% Yoy in 2014. Expansion is set to accelerate still further in 2015. Colombia and Venezuela account for 52% of the trade.

## Europe

OECD Europe: 18Mntonnes, -6% Yoy

Non-OECD Europe: 3.5Mntonnes, +1% Yoy

OECD Europe's share of total US product exports is set to fall to 12% in 2015 from 14% in 2014.

Gasoil/diesel- revised official data indicates that 1Q15 exports were lacklustre for this flagship trade. 2Q15 fared little better.

Strong performances from Kerosene/jet fuel and lubricating oil were insufficient to prevent the overall trade heading into reverse.

US Exports by Region and Commodity 2015 (forecast)

Figures in '000 tonnes

Figures based on US exports for first quarter

region_code	Fuel oil	Gasoil/diesel	Gasoline	Kerosene /jet fuel	Lubricating oil	Naphtha	Other Products	Total
Australasia	0	0	1	0	44	0	1	47
East/South Africa	0	0	6	0	79	0	0	86
Former Soviet Union	0	0	1	0	11	0	2	15
South America	7339	37812	27530	5300	2450	7800	1973	90203
Middle East	588	285	54	238	122	6	81	1375
North Africa	1406	434	195	0	13	0	0	2048
North America	2208	1232	2706	2788	377	198	8713	18222
North East Asia	164	68	29	1	386	2108	489	3245
OECD Europe	1559	12981	194	1224	1255	244	429	17886
South Asia	25	0	0	0	178	6	32	240
South East Asia	5995	0	248	0	323	345	27	6938
West Africa	0	417	1389	1270	65	0	1	3142
Other Europe	837	2589	0	99	1	0	0	3526
Other	0	2	19	18	1	0	0	39
Total	20122	55820	32372	10938	5306	10706	11747	

Colour key:

>=30% >=15, <30% >=10, <15% >=5, <10% >=0, <5% <0%

How to read the table: The colours show growth rates 2014/e2015 for trades >=1Mntonnes

## Emerging regional markets

**12%** Mkt Share, **-2%** Yoy (1H05)

### South East Asia

6.9Mntonnes, +15% Yoy (1H05) up from -23% 1Q15

South East Asia accounted for 4.6% of total US product exports in 2014. Based on 1H15 data, market share is set to increase slightly in 2015

Fuel oil - Top US export to South East Asia. Unlike most other US fuel export trades, it showed strong 2Q15 growth. However, full year 2015 is still not expected to match 2013 levels. With no other emerging commodity trades, this region would appear to be an unpromising prospect for US exporters unable to compete with Middle Eastern and Asian rivals. ... and a corresponding hit to arbitrage opportunities

### West Africa

3.1Mntonnes, -21% Yoy (1H05) down from -10% 1Q15

West Africa reported dismal 2Q15 trade import figures

Gasoline - the star export to this region in 2014 aided by refinery outages in Nigeria. However, 1H15 gasoline exports have disappointed. Kerosene/jet fuel emerged as a potential replacement growth trade in 1Q15, but improved Nigerian refinery output coupled with competition from European exports meant a weak 2Q15.

If you have questions or comments, please contact Charles R Weber Research  
 John M Kulukundis: [jmk@crweber.com](mailto:jmk@crweber.com), George P Los: [gpl@crweber.com](mailto:gpl@crweber.com)  
[www.crweber.com](http://www.crweber.com)

# Fastest growing export country destinations

## 1. Venezuela +121%

Trade 1H2015: 2.3Mntonnes

**Naphtha** (1.2Mntonnes, +160% Yoy)

The increase in trade in part reflects faltering attempts to thaw long standing strained US/Venezuelan relations. Venezuela typically uses naphtha as a diluent in the transportation of domestic extra heavy crude oil. It is the 9th largest destination for US exports.

## 2. UK +104%

Trade 1H2015: 1.7Mntonnes

**Gasoil/diesel** (1.4Mntonnes, +126% Yoy)

The US is expected to continue to target European markets, but performance was mixed in 1H15. Trade with Netherlands, the largest European importer from the US, declined by 17% to 4.0Mntonnes in 1H15 compared with 4.8Mntonnes in 1H14.

## 3. Guatemala +50%

Trade 1H2015: 1.3Mntonnes

**Fuel Oil** (0.25Mntonnes, +386% Yoy)

**Gasoline** (0.6Mntonnes, +57% Yoy)

One of few growth fuel oil export trades for US. Guatemala typically uses fuel oil for space heating and electric power generation.

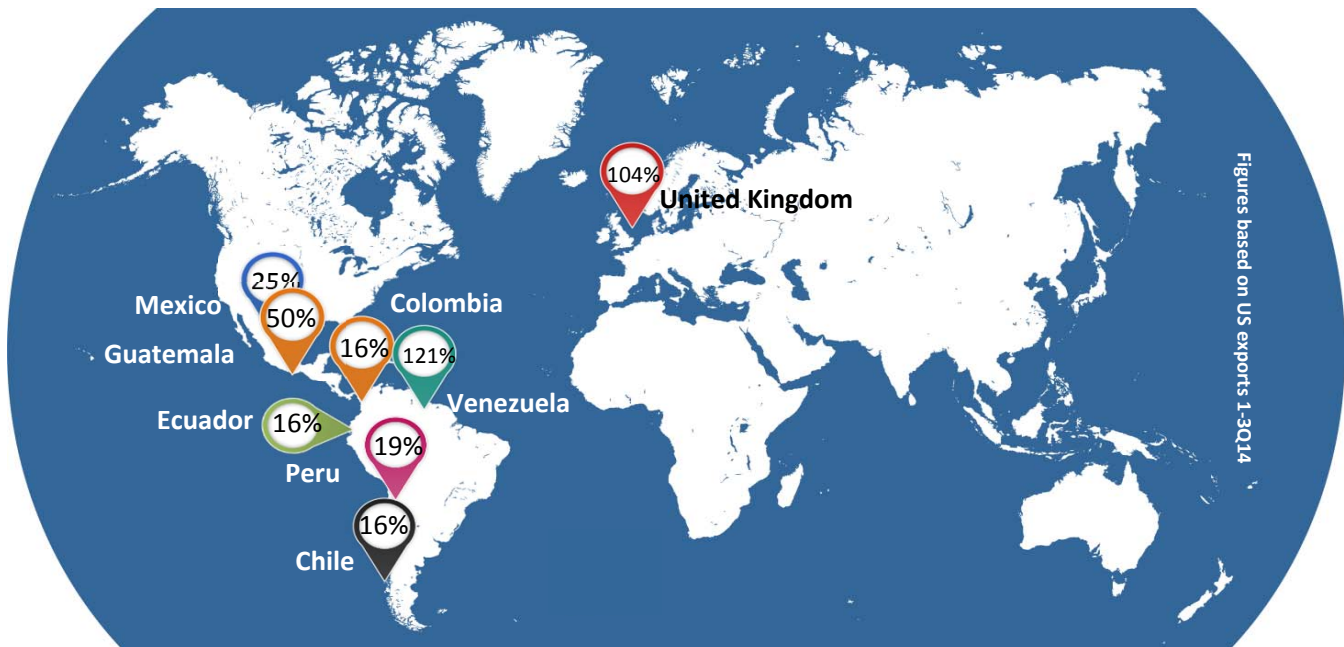
## 4. Mexico +25%

Trade 1H2015: 12.4Mntonnes

**Gasoline** (6.9Mntonnes, +32% Yoy)

**Gasoil/diesel** (3.3Mntonnes, +25% Yoy)

US/Mexico relations strengthening with an agreement for a crude oil swap (August 2015). Also a founder member of the Trans Pacific Partnership (TPP), which was agreed in October 2015.



**How to read the map:** The map highlights the seven best performing US export trades Ytd (1Q15) based on the top 18 countries

## 5. Peru +19%

Trade 1H2015: 1.6Mntonnes

**Gasoline** (0.33Mntonnes, +153% Yoy)

**Gasoil/diesel** (1.1Mntonnes, +8%)

Another key US partner in South America and a founder member along with the US of the Trans Pacific Partnership (TPP) free trade agreement. It is the 14th largest export destination for the US.

## 6. Ecuador +16%

Trade 1H2015: 2.2Mntonnes

**Gasoline** (1.1Mntonnes, +83% Yoy) The largest, and fastest growing trade.

**Fuel Oil** (0.2Mntonnes, +182% Yoy)

A star performer in 2014, Ecuador remained an important growth market for US exports in 1H15. However, trade likely to be hit by renovated Esmeraldas refinery coming back on line.

## 7. Chile +16%

Trade 1H2015: 3.4Mntonnes

**Gasoil/diesel** (2.8Mntonnes, +13% Yoy)

**Kerosene/jet fuel** (0.17Mntonnes, +32% Yoy)

Another Latin American country increasingly targeted by US exporters, and another founder member of the Trans Pacific Partnership (TPP).

## 8. Colombia +16%

Trade 1H2015: 4.0Mntonnes

**Naphtha** (1.0Mntonnes, +26% Yoy)

**Gasoline** (0.6Mntonnes, +42% Yoy)

The growth in trade in part reflects the ongoing support given by the US to Colombia in negotiating (since 2012) a peace treaty with FARC - Colombia's largest guerilla group.

If you have questions or comments, please contact Charles R Weber Research  
**John M Kulukundis:** [jmk@crweber.com](mailto:jmk@crweber.com), **George P Los:** [gpl@crweber.com](mailto:gpl@crweber.com)  
[www.crweber.com](http://www.crweber.com)