

# Weber Refinery Report



March 2020



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.



## Seaborne product trade declined by 2.1% in 2019

**Yoy - Mar 2020** - Based on customs trade data, the global seaborne product trade declined by 2.1% last year compared with 2018. Fuel oil was hit the hardest, (down 7.2% yoy from 271Mntonnes in 2018 to 251Mntonnes in 2019), a result in part of changing bunker fuel regulations. Trade in lubricating oil (-5.5% yoy) and naphtha (-7% yoy) also struggled last year. However, the news about trade was not all bad, with gasoil/diesel (+0.2% yoy), gasoline (+1.1% yoy) and kerosene/jet fuel (+3.4% yoy) all registering positive growth.

The largest three exporters registered declines in exports in 2019, USA (-6.2% yoy), Russia (-2.8% yoy) and Singapore (-5.3% yoy). China (+14.3% yoy) was by far the best performing of the top 10 largest trade, as it leapfrogged Netherlands to sixth in the league table of largest exporters. India was another mover, up to 4th overtaking South Korea.

Six of the top 10 product importers saw imports decline year on year in 2019, among them were the largest, Singapore (-4.3% yoy), as well as, Netherlands (-5.9% yoy) and China (-8.9% yoy).

US to Brazil (+38.5% yoy) was one of the most important medium haul growth trades last year, underpinned by gasoil/diesel. Other key growth trades included Russia to US (+50.9% yoy), UAE to Singapore (+65% yoy) and India to Netherlands (+15.5% yoy).



## BPGIC scraps 250kbd Fujairah refinery for smaller project

**Feb 2020** - Brooge Petroleum & Gas Investment (BPGIC) and Sahara Energy Resources have mutually agreed to discontinue a joint development project to install a 250kbd (12.5Mnta) modular refinery in phases at BPGIC's terminal in Fujairah, UAE, due to their differing perspectives and visions for the refinery.

However, BPGIC has entered into a new agreement with Al Brooge International Advisory (BIA), the current offtake customer for BPGIC's Phase 1 oil storage and terminal development at Fujairah, to construct a 25kbd (1.25Mnta) refinery designed to produce low-sulphur fuel oil that complies with the IMO's new regulations.

As part of the new deal, BPGIC and BIA have agreed to move forward with finalising technical and design feasibility studies for Phase 1 and Phase 2 of the newly proposed refinery, to be operated by BPGIC. The refinery is expected to become operational at the end of 2020.

Latest

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

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**1** **PetroChina resumes Jieyang refinery construction - Feb 2020** - PetroChina has resumed construction of its Jieyang oil refinery and petrochemical project in the southern Chinese province of Guangdong, which was stalled due to the coronavirus. The oil refining section is scheduled to be launched by the end of 2021, following trial operations planned to start in Oct 2021, and the chemical section in March 2022, with full completion by June 2022.

**1** **Haina refinery exports first IMO 2020-compliant fuel - Mar 2020** - Refinería Dominicana de Petróleo PDV SA's (Refidomsa) 34kbd (1.7Mnta) refinery at Haina in San Cristóbal, Dominican Republic, has exported its first shipment of low-sulphur fuel oil that complies with the IMO's new regulations requiring ships to use marine fuels with a sulphur content below 0.5%.

**1** **Waltersmith starts Phase 1 pre-commissioning at Ibigwe refinery - Mar 2020** - Waltersmith Refining & Petrochemical has started pre-commissioning activities for its 5kbd (0.25Mnta) Phase 1 of the 30kbd (1.5Mnta) modular refinery at Ibigwe in Nigeria's Imo state, which is scheduled to start up in May, and will initially process Nigerian crude.

**1** **Viva Energy schedules major turnaround at Geelong refinery - Feb 2020** - Commencing in 3Q20, Viva Energy Australia is to execute a two month maintenance programme for its 120kbd (6Mnta) Geelong refinery, in Victoria, Australia.

**2** **Construction wraps on steam cracker complex at RAPID project - Feb 2020** - Construction activities are now completed on a steam cracker complex at Petronas and Saudi Aramco's jointly held Pengerang Integrated Complex (PIC) in southeastern Johor, Malaysia.

The RAPID project was scheduled to reach start-up by yearend 2019, but as yet there is no confirmation of the current status of operable units at the site, though performance test-runs are now underway.

**1** **Kochi refinery exports India's first IMO 2020-compliant VLSFO - Feb 2020** - Bharat Petroleum (BPCL) has become India's first exporter of very low-sulphur fuel oil (VLSFO) that complies with the IMO's new regulations requiring ships to use marine fuels with a sulphur content below 0.5%.

In addition, BPCL is currently implementing a two phase project to expand production of cleaner fuels at the Kochi refinery to ensure compliance with India's more-stringent Bharat Stage VI (BS-VI, equivalent to Euro 6) low-sulphur emissions standards for fuels that, upon taking effect in April 2020, will mandate a maximum sulphur content of 10 ppm.

The refinery will begin supplying diesel and gasoline conforming to BS-VI standards as of March, with compliance across the spectrum to be completed sometime during 2H20.

In related news, Indian Oil's (IOC) Mathura refinery has completed the revamp of its all units to produce BS-VI grade fuels ahead of the deadline for roll out of newer emission norms from April 2020.

**1** **Philadelphia refinery to be demolished - Feb 2020** - A US Bankruptcy Court judge has tentatively approved the sale of the shuttered Philadelphia Energy Solutions refinery to Hilco Redevelopment Partners with plans to demolish the refinery and replace it with a mixed-use industrial park.

**1** **Shell plans major Pernis refinery maintenance from early May - Feb 2020** - Royal Dutch Shell is planning a major maintenance turnaround at its 404kbd (20.2Mnta) Pernis oil refinery in the Netherlands from early May, which will involve cleaning towers and heat exchangers, as well as replacing others.

**2** **VFuels awarded DED contract for Pecos refinery - Mar 2020** - MMEX has awarded a Detailed Design and Engineering (DED) contract for its Phase 1 10kbd (0.5Mnta) Crude Distillation Refinery Project in Pecos County, Texas, to VFuels, a full-service oil and gas engineering, design and fabrication firm that specialises in modular refinery process equipment.

The equipment is fully assembled and tested prior to shipment, enabling installation in much less time than traditional construction requires. Once the DED is complete, which is expected to be two months earlier than scheduled, fabrication will begin.

**1** **New unit approved for Plock refining complex - Feb 2020** - Orlen has approved a project to add a new visbreaking unit at its 327kbd (16.35Mnta) Plock integrated refining and petrochemical complex in Poland. This will increase the yield of light products such as gasoline and diesel oil, and scheduled to enter commercial operation by yearend 2022

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



**Latest  
continued...**

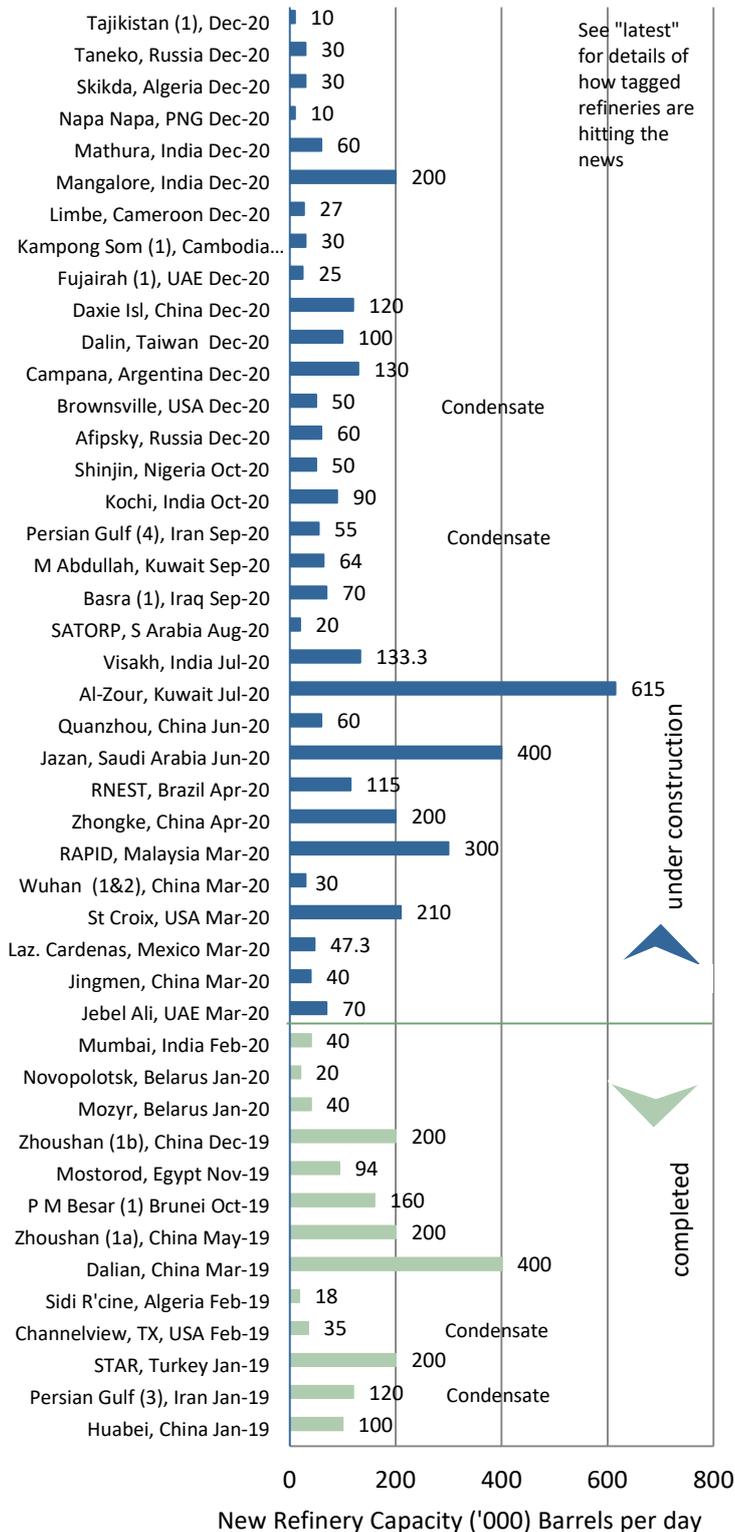
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# Timeline

## Recent and Planned Refinery Additions



See "latest" for details of how tagged refineries are hitting the news

We estimate that net global refinery capacity increased by 1.5Mnbd 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).

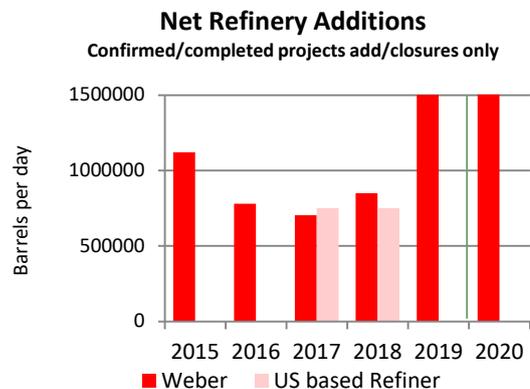
In 2020, almost 4Mnbd of new capacity (50 refineries) is currently under construction, although we anticipate capacity additions of between 1.8-2.0Mnbd. Kuwait (0.7Mnbd) and China (0.6Mnbd) are expected to lead the way, with a further 11 countries having >100Kbd under construction.

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.

Further expansion in domestic crude oil production will mean that the US remains a major driver of seaborne product trade in 2020. However, it can expect ever-intensifying competition from China, which returned product export gains of 8.3% in 2019 compared with a contraction of 3.6% in US exports.

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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