

Weber Refinery Report



October 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.



Threatened refinery closures on the rise - Oct 2020

- Discussion of refinery closures has now become the staple of refinery news reporting. In South Africa, it has been mooted that the 125Kbd (6.3Mta) Enef refinery in Durban, South Africa is a candidate for closure in 2023 due to the impact of the pandemic. The refinery, commissioned in 1954, has a good track record according to a spokesman for the company and other options in addition to closure are being considered.

In Australia, Ampol (formerly known as Caltex Australia) is considering closing its loss making 109Kbd (5.4Mta) Lytton oil refinery in Queensland, Australia. This comes on the back of last month's announcement that Viva Energy may shut its 128Kbd (6.4Mta) Geelong refinery, and comes despite the Australian government's recognition of the severity of the situation and proposed incentives to the industry to keep the country's refineries open for the sake of national security.

In Canada, the future of North Atlantic Refinery's (NARL) 130Kbd (6.5Mta) Come-by-Chance refinery is now in question after the deal with Irving Oil was terminated. However, Origin International says it's still interested in the plant.



Sinopec's Zhongke refinery at 70% utilisation - Oct 2020

- Having completed initial start-up in June, Sinopec's 200Kbd (10Mta) greenfield refinery in Guangdong province is reported to have reached 70% utilisation by end September, with the expectation that it will reach a rate of 80% in October and 90% by the start of 2021. At full capacity, the refinery can produce 6.5Mta of gasoline.

Sinopec partnered with Kuwait Petroleum and Total to build the refinery. It expects to source its feedstock from the Middle East. On 13 September, the first crude shipment arrived at Zhongke from Saudi Arabia on the VLCC, Samail. By mid-October, a further three VLCC shipments have been recorded.

Sinopec plans to sell half of the output to the southwestern part of the country via a pipeline, while the balance will be shipped out to the southern regions and overseas markets.

Latest

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

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 **Brazil's Supreme Court allows Petrobras refinery sales to go ahead** - Oct 2020 - Brazil's Supreme Court has voted to allow state-run Petrobras to sell eight refineries without the approval of Congress. It has already initiated the sale process for the refineries.

In recent news about its refinery sales, Petrobras has opened another round of bidding for its 208kbd (10.4Mnta) Repar refinery in Parana State after receiving binding offers that were too similar in value.

 **Saudi Aramco remains committed to the Ratnagiri refinery project** - Sep 2020 - Amidst multiple stories of potential refinery closures, conversions and investment cuts, some projects continue to move forward. For example, Saudi Aramco remains committed to the proposed 1.2Mnbd (60Mnta) Ratnagiri refinery petrochemicals complex in Maharashtra, India.

 **St Croix refinery starts up** - Sep 2020 - Limetree Bay has initiated the start-up process of a 150kbd (7.5Mta) crude distillation unit at its St Croix refinery in the US Virgin Islands, and may begin making market-ready gasoline by late October. After being shuttered since 2012, the St Croix revival has been poorly timed to coincide with the pandemic. and, despite already leasing 10MnBbls of its 34MnBbls of crude storage capacity, it may lose its main crude supplier, oil major BP, if it isn't successfully up and running by December.

 **Mesaieed refinery begins ULSD production** - Sep 2020 - Qatar Petroleum has completed an upgrading project of diesel hydrotreating units at its 137kbd (6.85Mnta) Mesaieed refinery, near Doha in Qatar, enabling production of ultralow-sulphur diesel (ULSD) and ensuring all diesel sold in the country now meets the Euro 5-quality emission standard of maximum 10ppm sulphur.

 **Marathon applies for permits for Martinez renewable diesel project** - Oct 2020 - Marathon Petroleum has applied for permits to convert its Martinez, California, refinery to a renewable diesel facility. If commissioned, the facility would be expected to start producing renewable diesel in 2022, and build up to full capacity in 2023 – producing 736Mn gal/year.

The decision to repurpose its Martinez refinery is in part due to declining fuel demand caused by the pandemic. It has also led Marathon Petroleum to propose a 12% cut of its workforce, with a large number of its refineries affected – including Martinez and Los Angeles in California, Gallup in New Mexico, Robinson in Illinois, Catlettsburg in Kentucky, Garyville in Louisiana, Canton in Ohio, St Paul Park in Minnesota, and Galveston Bay in Texas.

Royal Dutch Shell and LyondellBasell have also announced 10% workforce cuts this month, with Chevron and Exxon Mobil in the process of restructuring their businesses to halt losses.

 **BUA awards contract to Axens for 200kbd refinery complex** - Oct 2020 - BUA Group, one of Africa's leading Foods, Mining & Infrastructure Conglomerates has signed an agreement with Axens of France for the supply of process technologies for a 200kbd (10Mnta) grassroots mega refinery and petrochemicals facility to be sited in Akwa Ibom, Nigeria. Scheduled for completion in 2024, the complex is to produce Euro-V fuels and polypropylene for the domestic and regional market.

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 **Omsk refinery significantly reduces air emissions** - Oct 2020 - Gazprom Neft's 444.6kbd (22.23Mnta) Omsk Oil Refinery in Siberia, Russia, has lowered its air emissions, well below detection limits, following the installation of wet scrubbing technology licensed by DuPont, during a fluidised catalytic cracking unit (FCCU) revamp, which efficiently removes process impurities from the flue gas emitted by the FCCU.

 **Venezuela Resumes Operation of Two Oil Refineries** - Oct 2020 - Venezuela's President Nicolas Maduro said the operation of two oil refineries had been restored and the country had become self-sufficient in petrol supplies for domestic use, though purchases of petrol from abroad for October and subsequent months were not due to stop yet. It should be noted that the US is maintaining pressure on Venezuela with additional sanctions. It had been reported that the supply of components and units for the refineries was carried out by Iran.

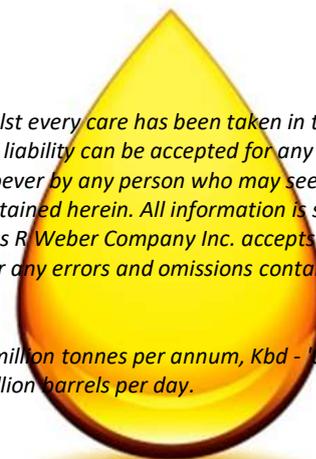
 **Pertamina adding renewable fuels production at Plaju and Cilacap refineries** - Sep 2020 - Pertamina has awarded a contract to Honeywell to license process technologies for projects aimed at equipping its 118kbd (5.9Mnta) Plaju refinery in Palembang, South Sumatra, and 348kbd (17.4Mnta) Cilacap refinery in Central Java to begin production of advanced biofuels.

The refiner is constructing of a new biorefinery at the Plaju refinery to process 20kbd (1Mnta) of vegetable oils and fats to produce renewable jet fuel, renewable diesel fuel, and green LPG. At the Cilacap refinery the revamping project will allow processing 6kbd (0.3Mnta) of vegetable oils and fats to produce unspecified biofuels.

The planned projects come as part of Pertamina's strategy to meet the Indonesian government's goals for renewable fuel production using domestic biobased feedstocks, including the requirement that over 5% of all domestic energy must come from biofuel by 2025.

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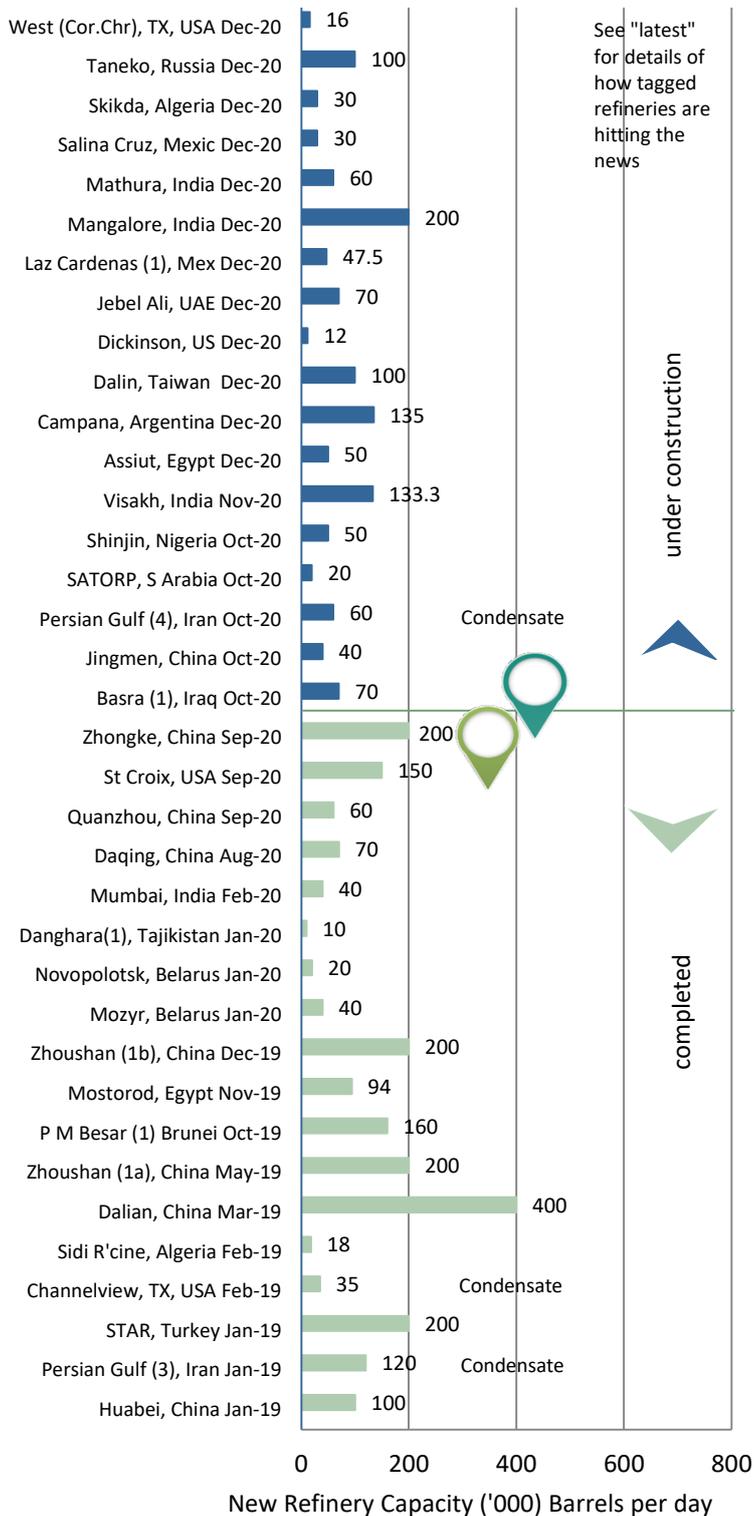
***Notes:** Mnta = million tonnes per annum, Kbd = 1000 barrels per day, Mnbd = million barrels per day.*



Latest
continued...

Timeline

Recent and Planned Refinery Additions



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

under construction

completed

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).

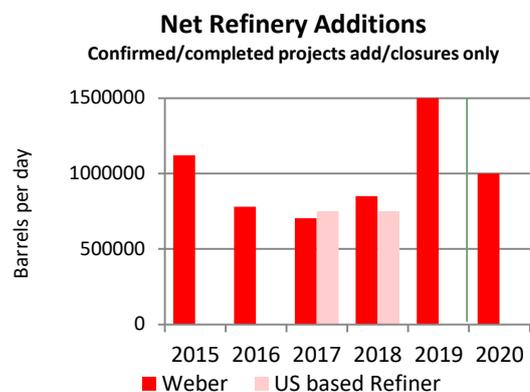
In 2020, almost 2Mnbd of new capacity (38 refineries) is currently under construction, although we anticipate capacity additions of around 1Mnbd, down from 2Mnbd at the start of the year. China (0.4Mnbd) is expected to lead the way, with a further 16 countries having >100Kbd under construction.

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 2018/19 combined. However, rumours are now swirling about multiple closure plans around the globe in a market severely squeezed by the pandemic. Almost 1Mnbd has already been confirmed to close by 2025.

The US remains a major driver of seaborne product trade in 2020. However, falling demand in its key South American market, as a result of the pandemic, coupled with new Chinese capacity coming on stream, means that US product exports are on course to contract by 10% in 2020 Yoy, after falling 4.6% Yoy in 2019.

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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