

Weber Refinery Report



July 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.



Petrobras continues restructuring its refinery business - Jul 2020 - Abu Dhabi's investment fund Mubadala Investment is to enter into exclusive talks with Petrobras, which may take several weeks, to discuss the purchase of Brazil's second-largest refinery – Bahia, after it submitted the best offer and was invited to negotiate.

However, if the contract changes significantly, Petrobras will call back competitors for a second round of bids based on price.

In other developments, Petrobras' 434kbd (21.7Mnta) Paulínia Refinery (REPLAN) refinery in São Paulo, has once again broken its record for monthly production of low-sulphur fuel oil (LSFO) Bunker 2020. June's production was 148kCum, 20% higher than in May.

Between January and May 2020, REPLAN, largest of Petrobras' refineries, was responsible for 12% of all Bunker 2020 fuel produced by the refiner.

Petrobras also confirmed it had resumed operations in June at one of REPLAN's crude distillation units (U-200A) as well as at the refinery's catalytic cracking unit (UU-220), restoring the refinery to its full processing capacity.



BP-Sinopec bunker JV to start fuel oil deliveries to Fujairah - Jul 2020 - The BP and Sinopec marine fuel bunkering joint venture, BP Sinopec Marine Fuels, is to start deliveries of high sulphur and low sulphur fuel oils to Fujairah in August as it now has rented storage space for the fuels at the UAE port.

BP and Sinopec had said when the venture was announced five years ago that they planned to serve ports in Singapore, Fujairah, Antwerp, Rotterdam and Amsterdam, as well as ports in China - Tianjin, Qingdao, Shanghai, Ningbo and Shenzhen.



China grants private refiner ZPC first-ever fuel export license - Jul 2020 - China has granted Zhejiang Petroleum & Chemical (ZPC) a license to export refined oil products, the first private oil refiner to win such permission. This will allow ZPC to directly sell oil products to the international market, competing against state-owned refiners and helping to ease oversupply pressure in China's domestic market.

Latest

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

John M Kulukundis at: jmk@crweber.com

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IOC restarts work on major refining projects - Jul 2020 - Indian Oil (IOC) has resumed works at various major refinery projects, expansion and upgrades, across the country following the easing of COVID-19 lockdown restrictions on 30 April, including at Paradip, Barauni and Bongaigaon.

The refiner said it remains on track to spend its approved capital budget for the 2020-21 fiscal year of 261 Bn rupees despite the current unprecedented upheaval.

1 Plans moving ahead for grassroots LSFO refinery in Oman - Jul 2020 - Canada Business Holdings (CBH) is proceeding with an investment plan to develop a project for construction of a new low-sulphur fuel oil (LSFO) 300kbd (15Mnta) refinery to be built in phases along the Arabian Sea, outside the Strait of Hormuz in Oman. No timeline for the project has yet been disclosed, but CBH is still open to interested investors.

Shell may sell its 240kbd Louisiana refinery - Jul 2020 - Shell is considering selling its 240kbd (12Mnta) Convent refinery in Louisiana, as part of a broader strategy to reshape its refining portfolio. By 2025, the refiner plans to have a smaller, core set of refineries and integration of trading hubs, enabling production of more chemicals and other products resilient in a lower-carbon future, such as bitumen and base oils.

As part of this strategy, Shell has already sold the Martinez refinery in California to PBF Holding Company for US\$1.2 Bn.

2 BPGIC's Phase 2 oil storage facilities and refinery progressing - Jul 2020 - Brooge Petroleum and Gas Investment (BPGIC) is moving ahead with Phase 2 of its storage capacity expansion plans in Fujairah adding eight storage tanks with capacity of 3.8MnBbls. The project is expected to be completed by the end of 2020, with its Fujairah refinery expected to become operational in 3Q21.

1 Meridian Energy receives all-clear to proceed with Davis refinery construction - Jun 2020 - Meridian Energy has achieved a major milestone as its air quality permit for its 50kbd (2.5Mnta) high-conversion Davis refinery, previously issued by the North Dakota Department of Environmental Quality, has been upheld by the North Dakota Supreme Court.

With front-end engineering design currently nearing completion and site-preparation activities already well under way, the refinery is scheduled to enter commercial operation during 4Q23.

1 Petron & Shell refineries in the Philippines remain on temporary shutdown - Jun 2020 - Petron and Pilipinas Shell Petroleum both shut down their refineries in the Philippines in May to mitigate the impact of the low demand and low prices. They will continue to be on shutdown until the market improves.

3 Israel advised to shutdown Bazan complex by 2025 - Jun 2020 - Israel's National Economic Council and Environmental Protection Ministry has recommended the shutdown of the Bazan refinery complex, that has long polluted the coastal city of Haifa, by 2025 and replace with a green residential and commercial hub.

1 Tatneft completes planned maintenance at Nizhnekamsk refinery - Jul 2020 - Tatneft has completed a three-week turnaround, four days ahead of schedule, at Taneco's 200kbd (10Mnta) Nizhnekamsk refining and petrochemical complex in Russia.

The refinery's 48kbd (2.4Mnta) sulphur dioxide (SO₂) visbreaking unit and 40Mnta (2Mnta) vacuum distillation unit have now resumed normal operations. The work was aimed at increasing safety, reliability and efficiency of operations.

2 Viva to turn Geelong oil refinery into energy hub - Jul 2020 - Viva Energy plans to convert its 128kbd (6.4Mnta) Geelong oil refinery into a 235-hectare energy hub that includes an LNG reception terminal and solar farm, as well as retaining the existing refining operations.

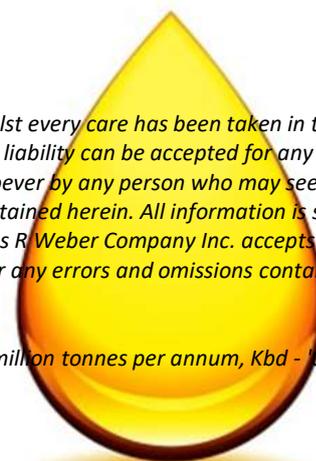
Major maintenance works at the refinery between July and November will proceed, but some works will be delayed until 2021.

1 Feasibility study contract awarded for Kochi refinery petcoke gasification project - Jul 2020 - Bharat Petroleum (BPCL) has awarded a contract to Dastur International and Lummus Technology to jointly execute a feasibility study for a petcoke gasification project at the 310kbd (15.5Mnta) Kochi refinery in Ambalamugal.

The project is funded by the US Trade and Development Agency as part of its mission to promote the development of sustainable infrastructure projects. BPCL's plan is to transform the 24kbd (1.2Mnta) petcoke output from its delayed coker into an environmentally friendly feedstock for clean-energy products ahead of increased regulatory restrictions on the refining byproduct.

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



Latest
continued...

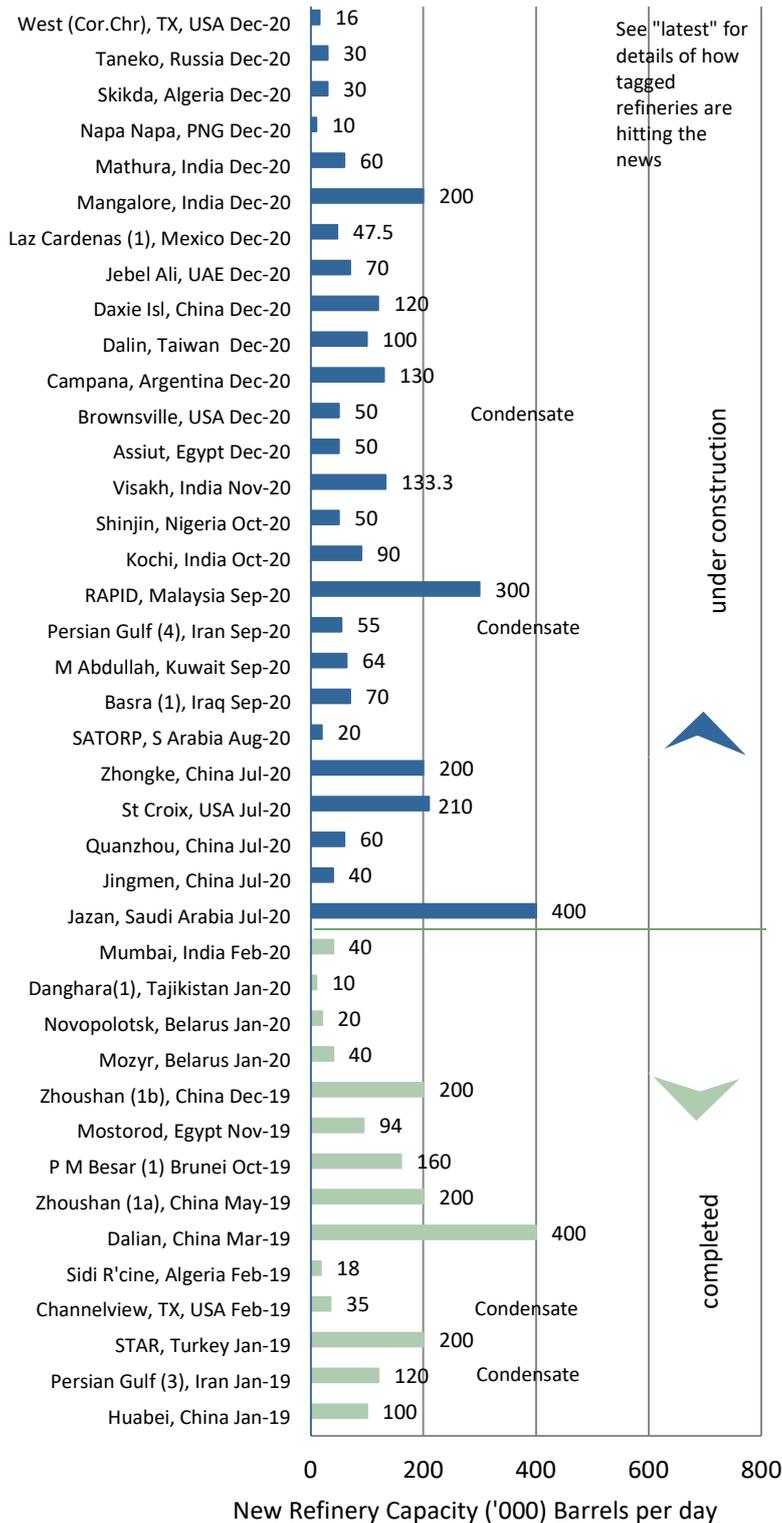
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Timeline

Recent and Planned Refinery Additions



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).

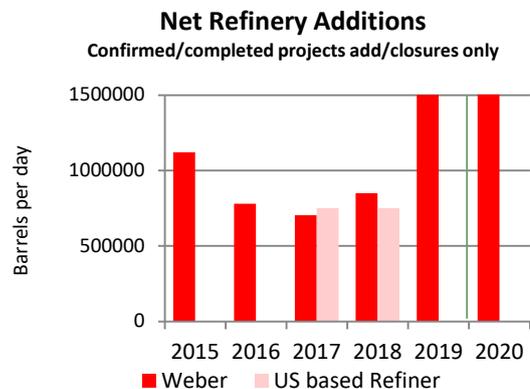
In 2020, almost 4Mnbd of new capacity (50 refineries) is currently under construction, although we anticipate capacity additions of between 1.8-2.0Mnbd. Kuwait (0.7Mnbd) and China (0.6Mnbd) are expected to lead the way, with a further 11 countries having >100Kbd under construction.

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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