

# A new crude oil reality

Impact of the crude price changes for the European refinery and fuel market.

Argus Media Ltd – Josefine Ahlström

# About Argus

- Leading international and independent price reporting organisation
- Founded in 1970 — over 45 years experience
- Today over 120 publications and services
- Almost 700 employees in 20 offices worldwide



## Usage of Argus price assessments:

- Wholesale gasoline trading gasoline ARA
- Supply contracts downstream gasoline and biodiesel NL and Belgium
- Belgium pump prices formula based on Argus wholesale prices

# Today's presentation

- How has the crude price affected the European refineries?
- What has the impact been further downstream?
- What other significant changes are taking place in the fuels market?

# What I said last year

“Europe’s refining crisis – refineries are struggling to survive”

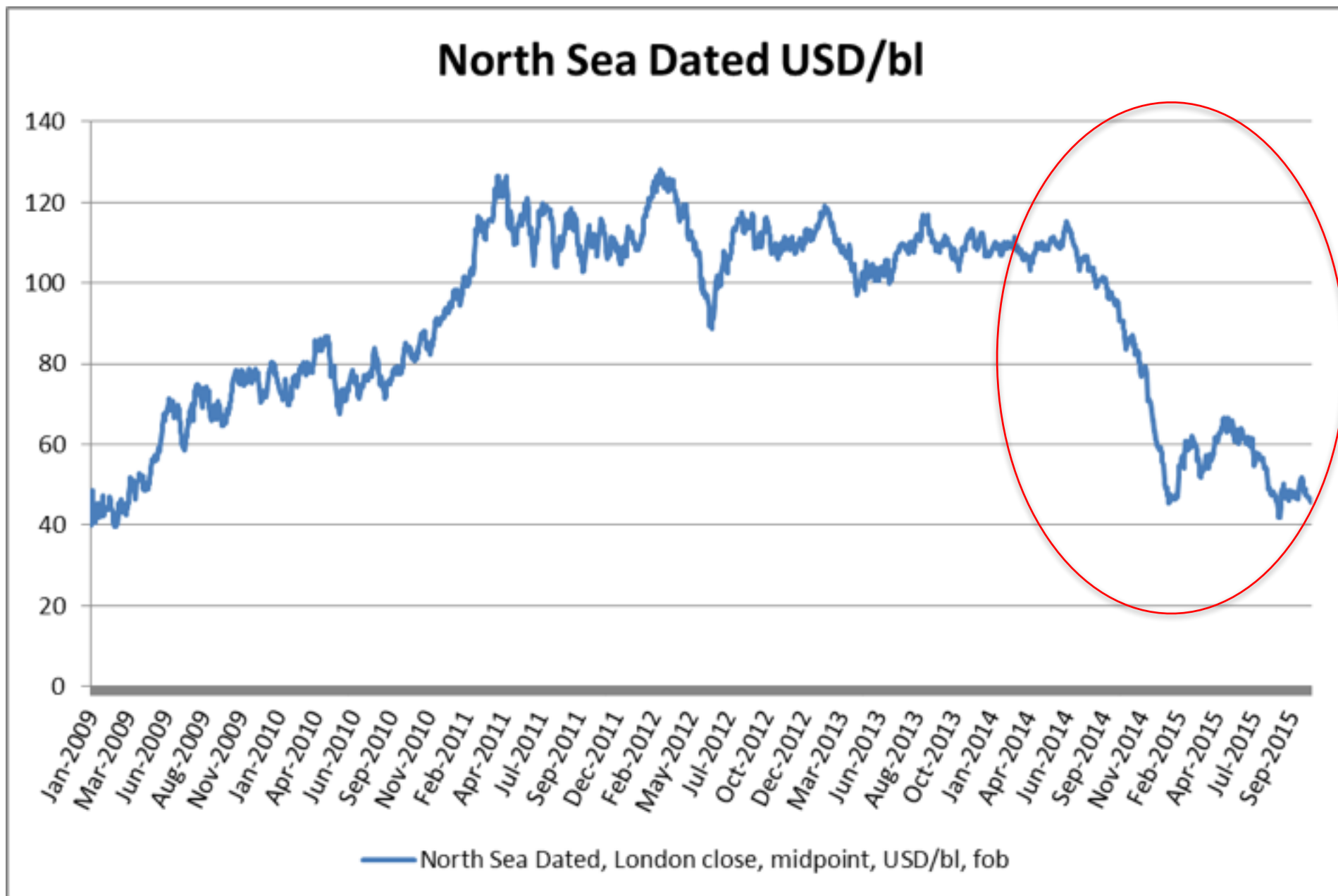
## European Refinery Closures

Europe Refineries Closures				'000 b/d
Operator	Refinery	Region	Capacity	Closed
Petroplus	Teesside	NWE	117	Mar 09
Total	Dunkirk	NWE	156	Aug 09
ConocoPhillips	Wilhelmshaven	NWE	260	Sep 10
Lukoil	Odessa	Mediterranean	56	Oct 10
OMV	Arpechim	Mediterranean	70	Mar 11
Tamoil	Cremona	Mediterranean	90	Apr 11
Petroplus	Reichstett	Mediterranean	82	Apr 11
LyondellBasel	Berre l'Etang	Mediterranean	82	Dec 11
Petroplus	Coryton	NWE	180	Jun 12
TotalErg	Rome	Mediterranean	82	Sep 12
ExxonMobil	Fawley	NWE	40	Sep 12
Petroplus	Petit Couronne	NWE	146	Dec 12
Total	Gonfreville	NWE	111	Mar 13
Shell	Hamburg-Harburg	NWE	50	Mar 13
Eni	Venice	Mediterranean	80	Jul 13
Mol	Mantova	Mediterranean	55	Jan 14
Murphy	Milford Haven	NWE	130	May 14

# What they said for 2015

- Wall Street Journal's 2014 economic forecasting survey \$95/bl
- The U.S. Energy Information Administration (EIA) projected \$70-159/bl in 2015
- The IMF World Economic Outlook in October 2014 forecast "average price of oil will be \$102/bl in 2014 and \$99/bl in 2015."

# OPEC crude strategy is working



Source: Argus Media

- Saudi Arabia changed strategy to defend market share rather than price
- Lower Oil prices means slower growth in non-Opec crude production.
- US Shale output falling
- However, US shale production incredibly flexible

# The gloomy predictions

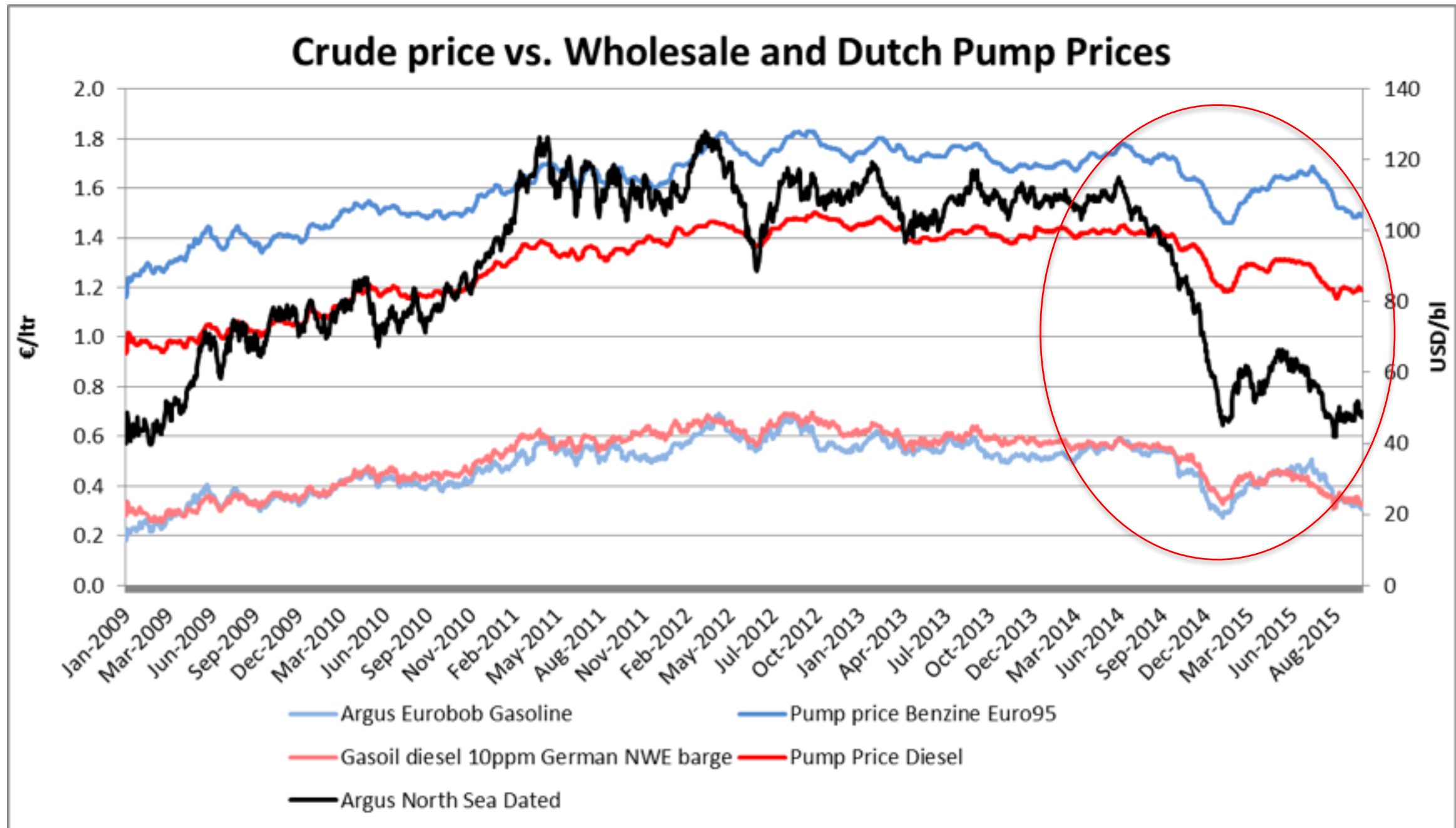
- “We hold the view that oil prices will be lower for longer” - BP CEO, Bob Dudley
- “We are planning for a prolonged downturn” - Shell CEO Ben van Beurden
- “We have been expecting the current downturn to be as severe as 1986 - the worst in 45 years” - Morgan Stanley

# The impact of lower crude prices

- Lower feedstock/crude prices increase overall refinery margin
- Lower crude means lower wholesale and pump prices
- Lower pump prices increase demand



# Wholesale prices falling more than pump prices

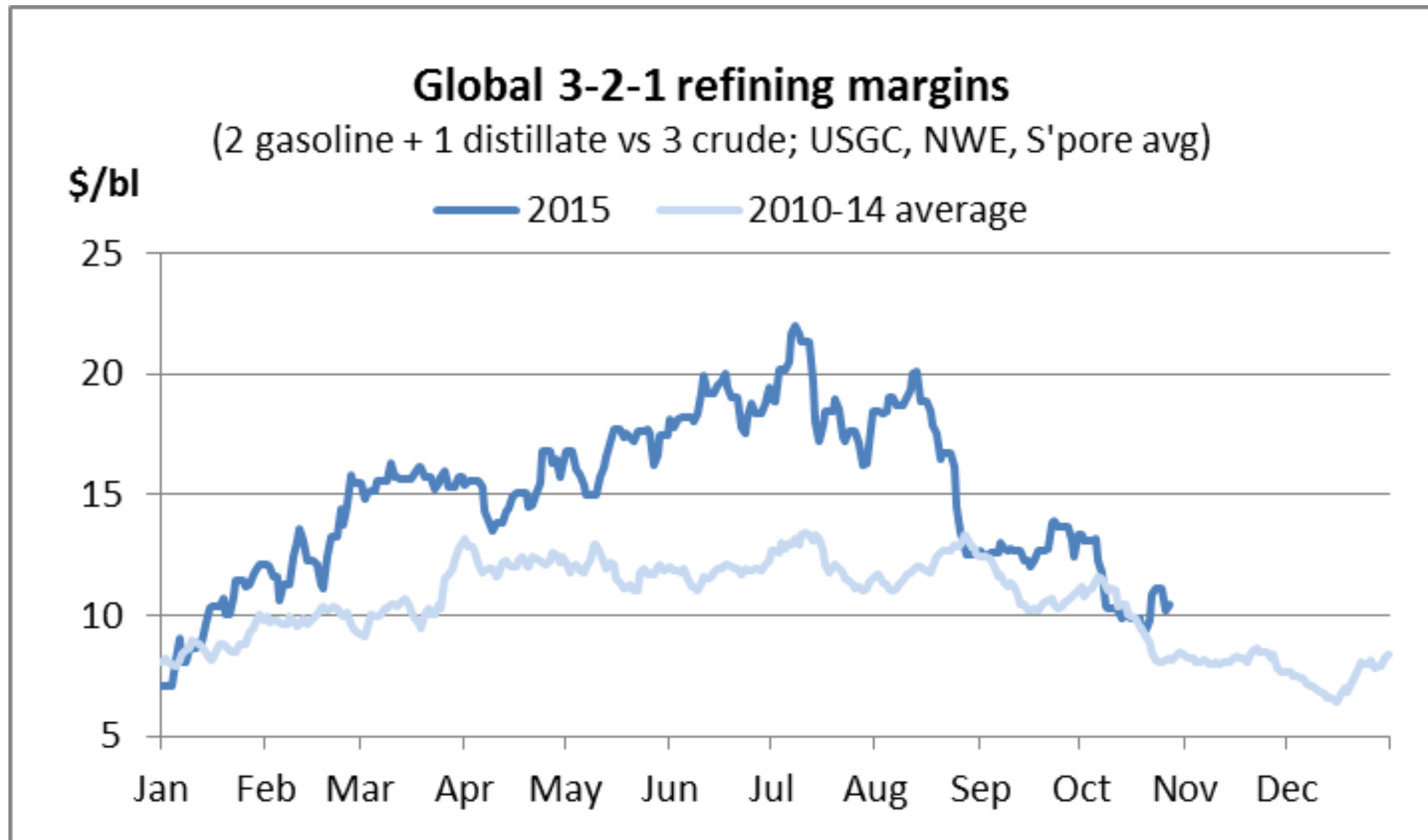


Source: Argus Media & CBS Statistics Netherlands

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# What refinery crisis?

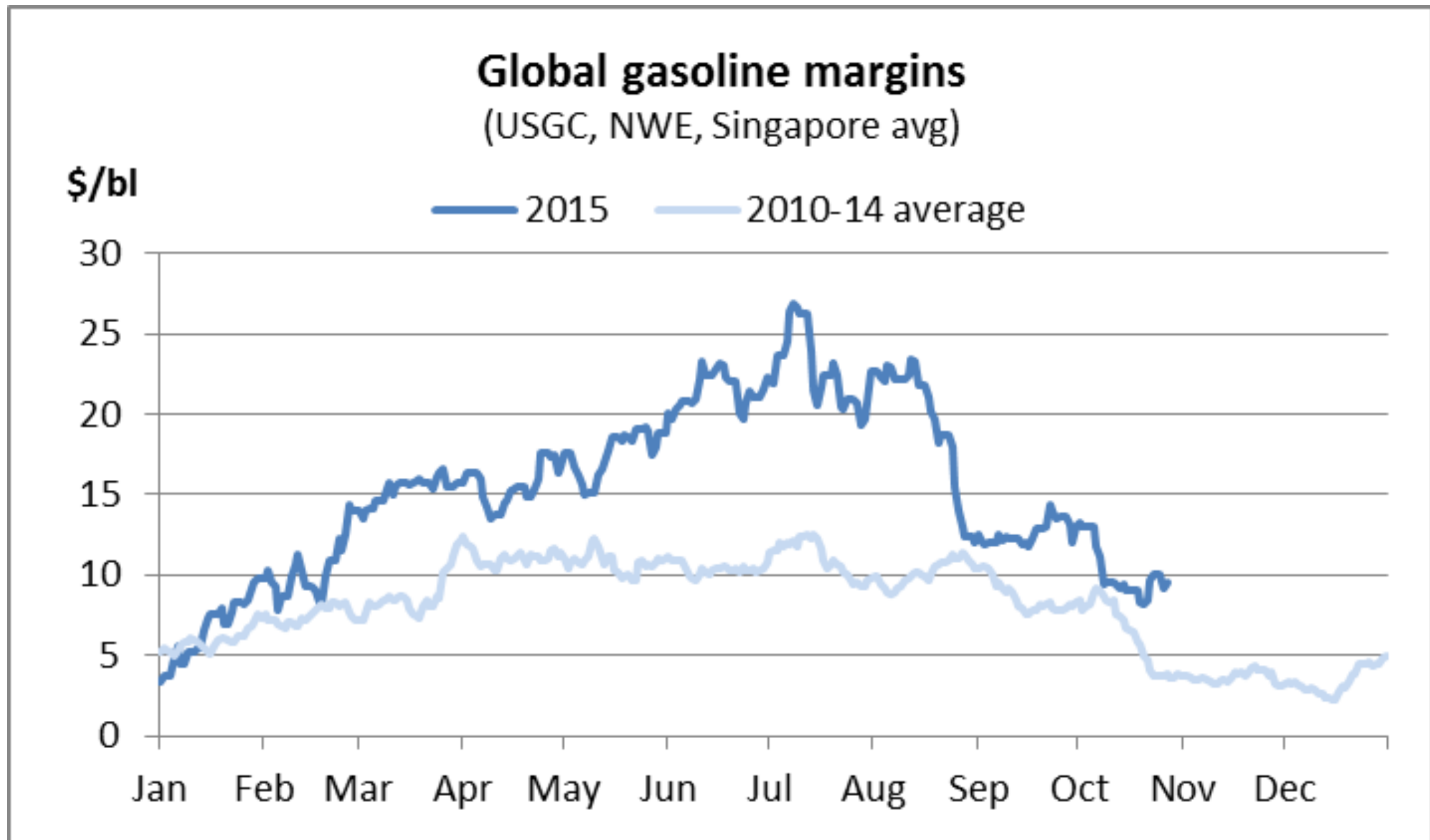


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# But unexpected bonus for refiners coming to an end

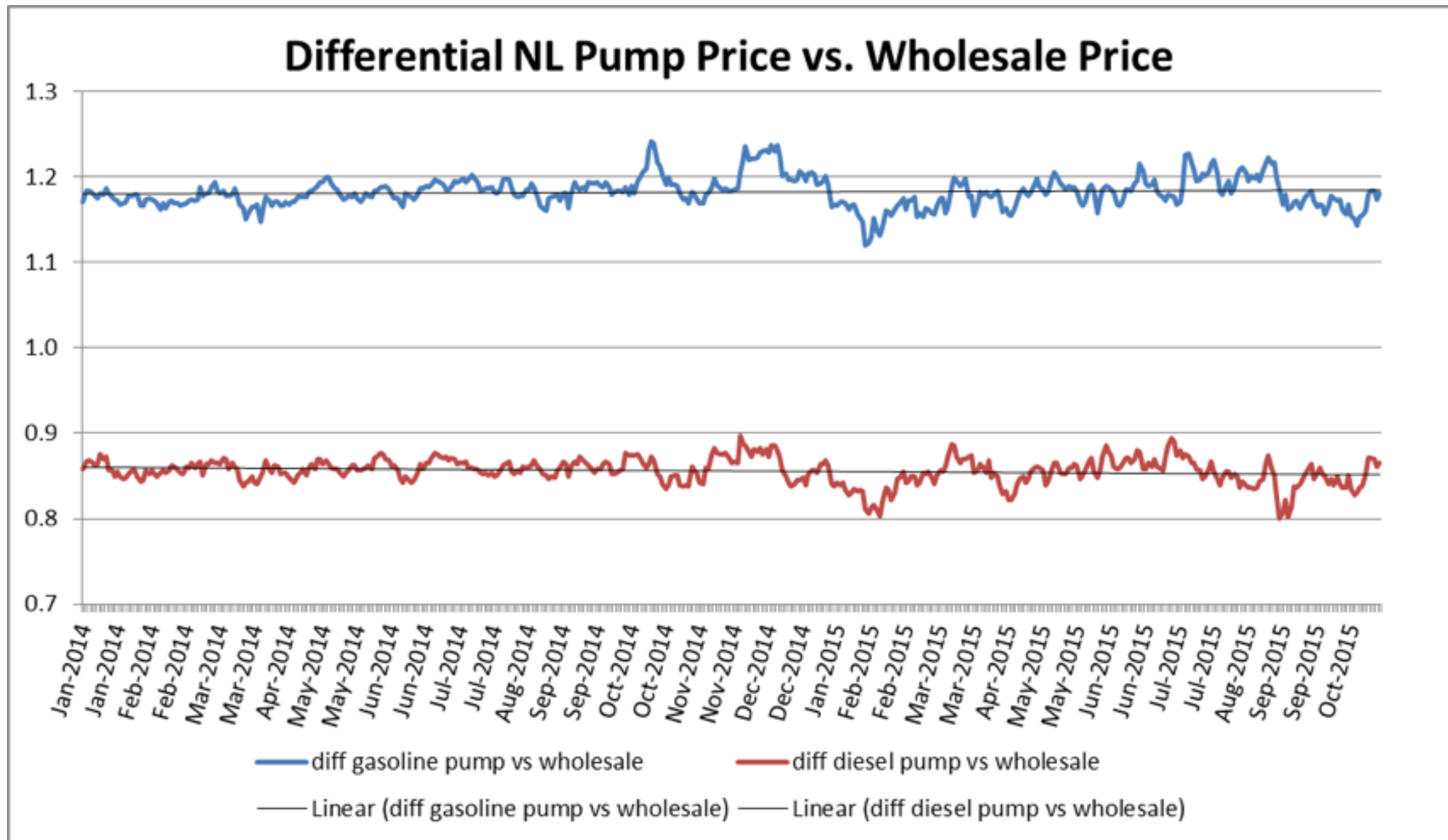


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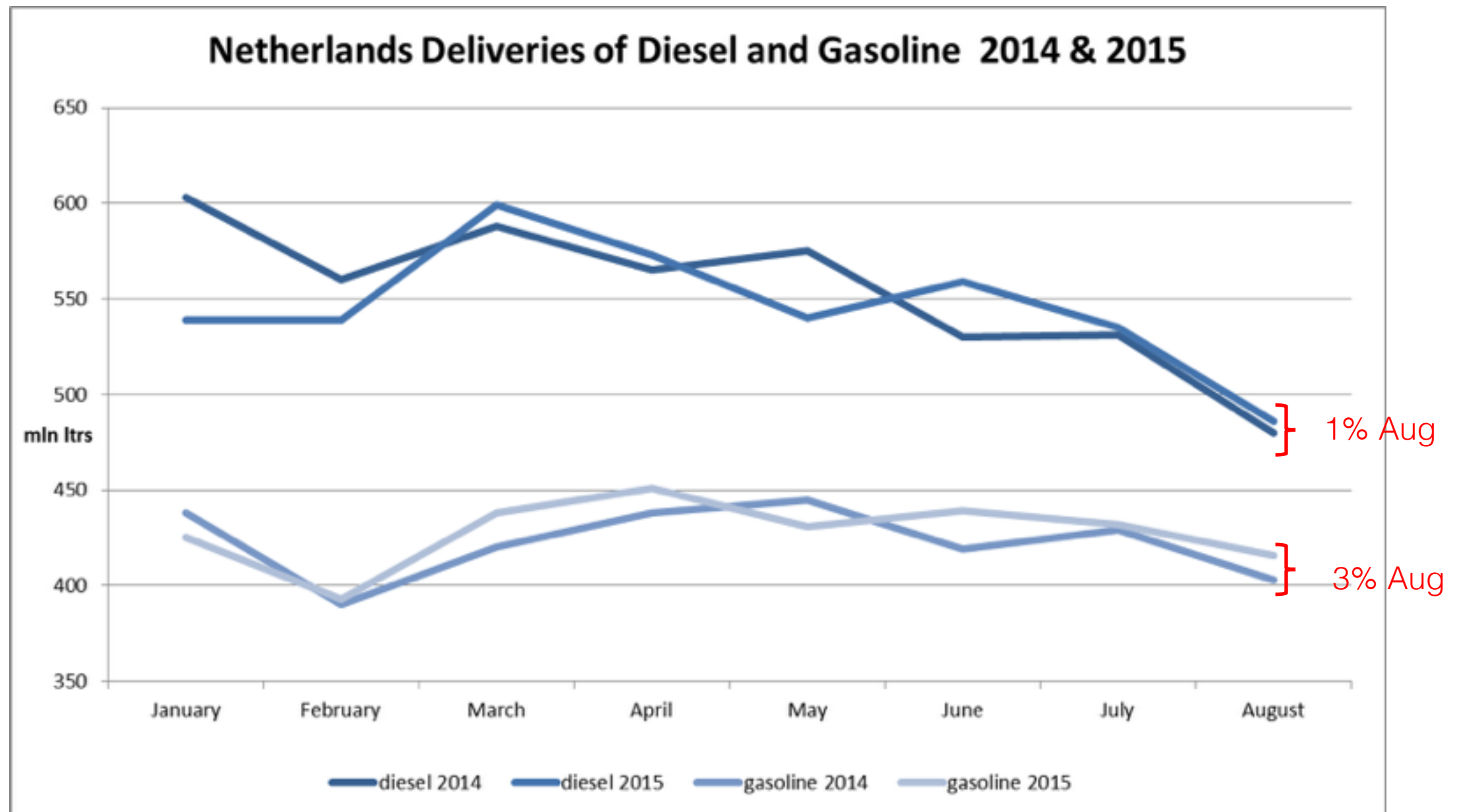


# Downstream margins stable



Source: Argus Media & CBS Statistics Netherlands

# But Dutch fuel demand starting to recover



Source: CBS Statistics Netherlands



# Minimajors, Superdealers & Hypermarkets

## - Downstream still changing structurally

**NEWS** | 26 Aug 15 **EC clears Varo, Argos merger**

London, 26 August (Argus) – The European Commission has approved the merger of Dutch oil businesses

Source: Argus

**NEWS** | 29 Sep 15 **Gunvor in talks to buy Europoort refinery from KPC**

KPC wants to sell the refinery and related infrastructure, such as storage assets.

**MFG and Euro Garages acquire bulk of Shell sell-off sites**

13 April, 2015

Shell UK has accepted offers for the sale of 185 company-owned service stations from Motor Fuel Group

Source: Forecourt Trader

**DCC completes French acquisition**

24 June, 2015

DCC plc, the parent company of Certas Energy, has completed the acquisition of the Esso Express unmanned retail petrol station network and the Esso Motorway concessions in France.

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# Conclusions

## Lower crude prices means:

- Lower wholesale & pump prices
- Dutch fuels demand slowly improving
- Downstream fuels margins stable
- Refiners given extra breath of life

But market still structurally changing - smaller players bigger & more powerful