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TOPIC

The Challenges of Managing Base Stocks Expansion Projects

READER QUESTIONS & EXPERT ANSWERS

Q: How does ExxonMobil determine which base stocks to produce during refinery expansions?

A: Great question, especially given this is an exercise we went through very recently in our planning for the Group II expansion project at our Rotterdam, Netherlands, refinery. There are a few main points that we take into consideration:

- We need to ensure the overall big-picture marketing strategy and the project meets a market need. This requires a deep understanding of our customers, industry trends, and evolving specifications.
- The regional applications at play and the quality of base stocks needed in the marketplace are also important considerations. In the case of our Rotterdam refinery investment project for example, we noted the fact that there was no large-scale Group II production in Europe and acted on the opportunity to be the first.
- It's also important to note that we have a strong feedback loop with our customers and keep our finger on the pulse of what the market wants and values. Our close collaboration with customers definitely impacts our base stock design and also our go-forward strategy more generally.

Q: How is your manufacturing technology implemented during expansion projects?

A: Each time we come up with a project, we'll consider all available technologies, and then we'll look to deploy the latest and greatest. We'll always have that technology base that we've been building off of from the beginning, but there is also an opportunity for us to consider what can be improved upon. When considering improvements and perhaps new market needs, our team might decide that it's the right time to develop and deploy a new technology that's truly step-out in nature. If we can take a parallel path developing a new technology alongside the expansion project, well then that's even better.

Refinery expansion projects certainly provide a platform for continuous advancement and innovation; it's really very exciting for our team.

Q: How do you manage base stock transitions and are there best practices to share?

A: Careful, extensive planning and integration on a number of levels is essential to execute successful base stock product transitions, especially following a base stock expansion project.

One of the most important aspects of a transition is early engagement with customers. As soon as the final decision to proceed with an expansion project has been made, the ExxonMobil team kicks off conversations with our customers to engage in transition considerations. These conversations can start three to four years in advance of a new unit start-up, as was the case with Rotterdam.

When helping a customer evaluate whether a product transition is right for them, it's important to understand not only what the customer's needs are, but to also work with them collaboratively to find ways in which the new products will be able to address their finished lubricant formulation needs today and in the future, and ultimately help their business succeed. By pre-seeding customers and helping ensure they're familiar with our product, we're working to ensure they're prepared and able to make a smooth transition at a time and pace that's right for them.

There are a few key concerns customers raise that we're always prepared to talk through. Many are concerned about the long-term availability of raw materials, including base stocks, to meet their needs. Also, customers want to know how we can help them with their existing business as well as with their development objectives, including items such as their product offer. We also typically engage with customers on supply chain questions and logistics that are key for a successful transition.

At the end of the day, it is by engaging with customers early in the transition process that we are able to

counsel and work closely with them to address each question individually and find the right solution for their business.

Of course, ensuring high quality product standards in parallel with customer pre-seeding and providing open communication with customers is paramount. A failure to share knowledge and communicate with key actors in the market in addition to customers, such as additive companies, original equipment manufacturers and equipment builders can be a pitfall for even the most well-established base stock supplier.

Q: What are ExxonMobil's three best practices for managing an expansion project?

A: Narrowing it down to three is tough – when managing the complexity of a large endeavor like a refinery expansion project there are a lot of things you need to get right. That includes:

1. Clearly define what you want to achieve from a market standpoint very early on. This helps ensure that what you want to build brings sustainable value to the market. In the case of our Rotterdam project, that meant understanding what base stock products could bring distinct and sustainable value to lubricant blenders and marketers and their end-customers.
2. Establish a very solid governance structure to manage the various dimensions of the project, including construction and marketing and make sure that all work effectively hand-in-hand.
3. Select the best and most qualified individuals for the project team. It's important to have a mix of individuals with the right expertise in the many diverse fields that are required in such an endeavor, the right drive and a good amount of diversity so that new perspectives are always coming to the table. ■

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