

BASE OIL DEMAND

Used Vehicle trends impacting Africa Base Oil requirements

By Rakesh Vyas & Najib Aragrag

Rakesh Vyas – Market Development Advisor – ExxonMobil Basestocks
Najib Aragrag – Technical Advisor – ExxonMobil Basestocks

According to ExxonMobil's 2019 Energy Outlook, Africa's population & GDP growth are poised to outpace the rest of the world by 2040 with a significant rise in living standards and energy demand as a result. Evolving consumer preferences and mobility needs will place more pressure on the automotive industry to improve car ownership, whilst reducing emissions in the region.

As a result, overall demand for lubricants and subsequently base oils will increase including the growing need for Group I as well as Group II – and even PAO in specific applications.

In fast growing regions like Africa, oil marketers and blenders will increasingly focus on the base stock quality they use in order to meet global standards and use approved products. Understanding the regional trends impacting base oil demand will be critical to meeting changing requirements.

Increased automotive demand leads to used vehicle legislation

In recent years, vehicle ownership in the region has increased and demand continues to grow steadily. Several leading OEMs have since opened production plants to meet these needs.

However, the demand for vehicles continues to outweigh supply of new ones. As a solution, the region has sought to import

used vehicles to bridge the supply gap and provide a more cost-efficient option for drivers.

The influx of imported, used vehicles to meet the region's demand needs has ushered in a car parc with wide-ranging ages and quality that is impacting hard on countries' ability to meet emission standard commitments. In response, countries are passing varying legislations either banning or limiting vehicle imports past a certain age.

As countries modernize fleets across the region to adhere to emission standard requirements, variations in legislation have led to a mixed fleet with assorted ages. This has led to diverse lubricant requirements, impacting base oil needs across the continent.

Mixed used vehicle fleet impacts base oil demand

Africa's mixed used vehicle fleet, accounting for 85-100% of vehicles in use, impacts

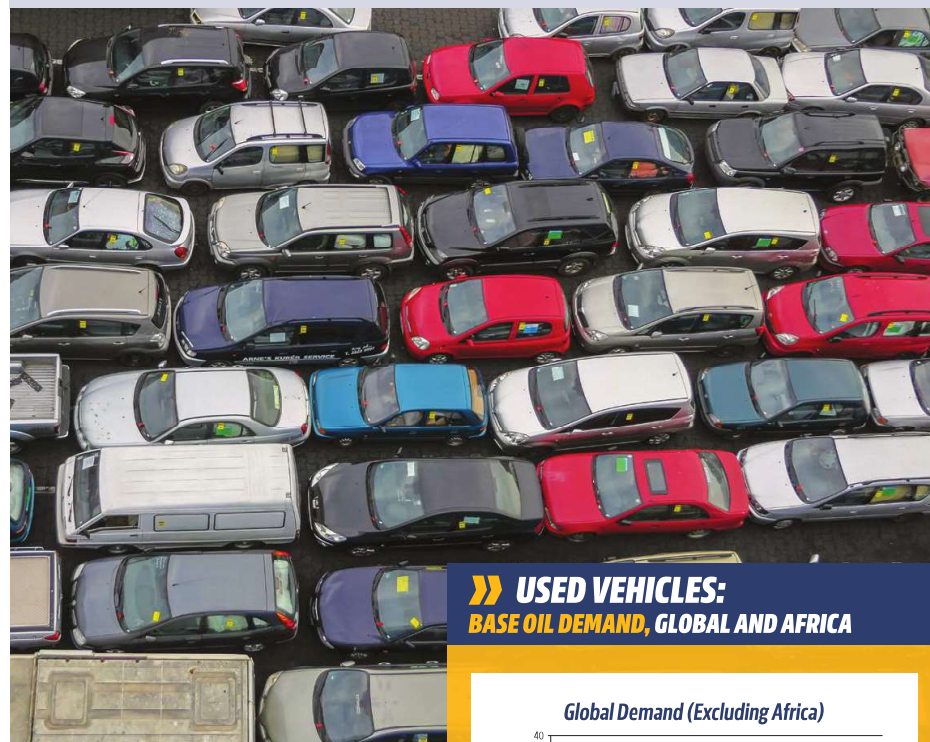
the types of lubricants required, which directly affects base oil demand.

In addition to meeting growing industrial application needs, a large regional share of Group I base oil demand is predominantly driven by the significant use of monogrades for PCEO and HDEO in automotive applications. For this reason, Group I will continue to dominate in the region with a projected 6% growth by 2025.

However, Group II-IV are quickly gaining ground as multigrades for PCEO and HDEO begin replacing monograde lubricant demand. In fact, demand for Groups I-IV is expected to grow by 13% through 2025 in Africa. The progression toward cleaner fuel in Africa to address critical emission challenges will impact the car parc age and the transition of monograde to multigrade. For example, several countries, like Egypt, have now allowed the importation of new and used electric vehicles, leading to a steady leap in synthetic automotive lubricants demand.

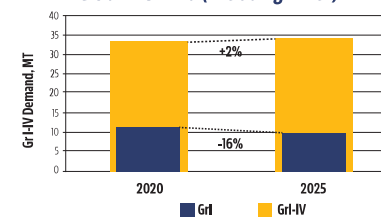


Used vehicles in Douala, Cameroun Port.
PHOTO | AMBIENT, 3X/SHUTTERSTOCK

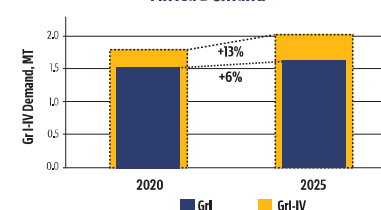


USED VEHICLES: BASE OIL DEMAND, GLOBAL AND AFRICA

Global Demand (Excluding Africa)



Africa Demand



SOURCE: EXXONMOBIL

85-100%
Africa's mixed used vehicle fleet, accounting for 85-100% of vehicles in use, impacts the types of lubricants required, which directly affects base oil demand

As global production and demand continues to grow, regions are gravitating toward Group II-IV base oils. These changes in the market are more difficult for African blenders to adapt to because of the mixed age fleets, older vehicles and growing industrial lubricants demand all sustaining Group I use.

As a result, Africa's lubricant and automotive industries must monitor developing trends closely and be even more selective when it comes to finding the right supplier for their current Group I and potential future Group II-IV needs. ■