

COVID-19 impacts on global base stock industry supply

Victor Martinez
Global Sales Manager
Basestocks & Specialties
ExxonMobil Fuels & Lubricants

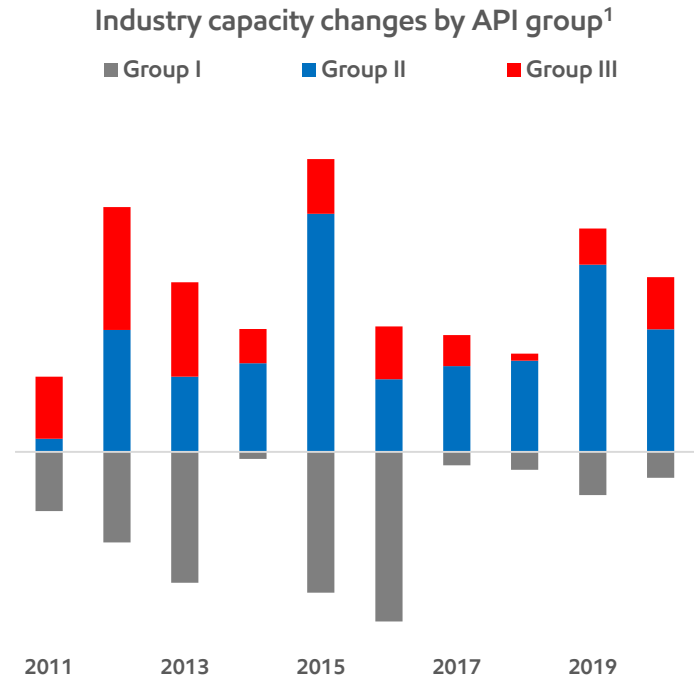
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Base stock industry landscape before COVID-19

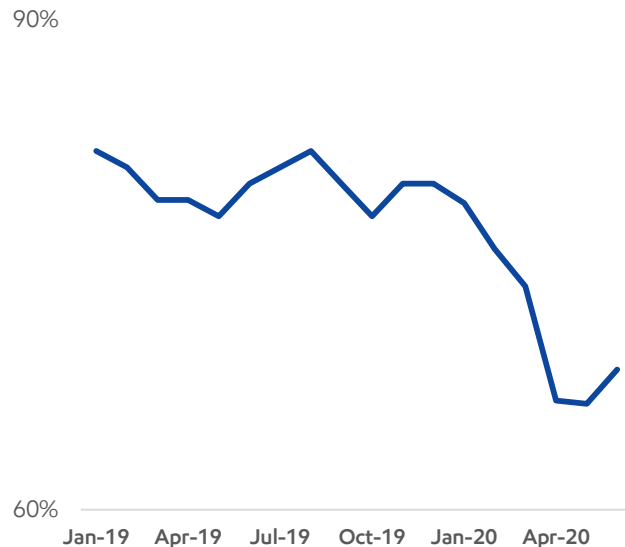
- Significant capacity increases over the past decade
- Modest industry demand growth
- Supply-demand length increasing as rationalizations do not keep pace with supply additions
- Industry margins severely challenged in 2018 / 2019
- IMO changes slated to impact base stock refining in 2020



1H 2020 – Challenges to base stock refiners increase

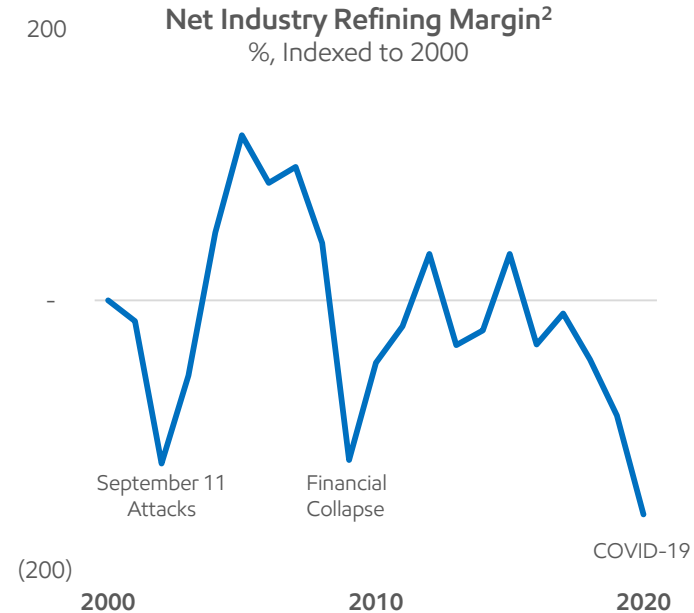
- Uncertainty around COVID-19 and ensuing lockdowns created immediate drop in transportation and industrial production¹ at end of 1Q
- Plummeting fuel demand reduced global refinery crude consumption; beginning of base stock production impacts
- Demand for finished lubricants fell precipitously; base stock sales followed same pattern
- Despite churn, market remained relatively steady in 1H as lower base stock demand balanced lower production

Worldwide refining capacity utilization²



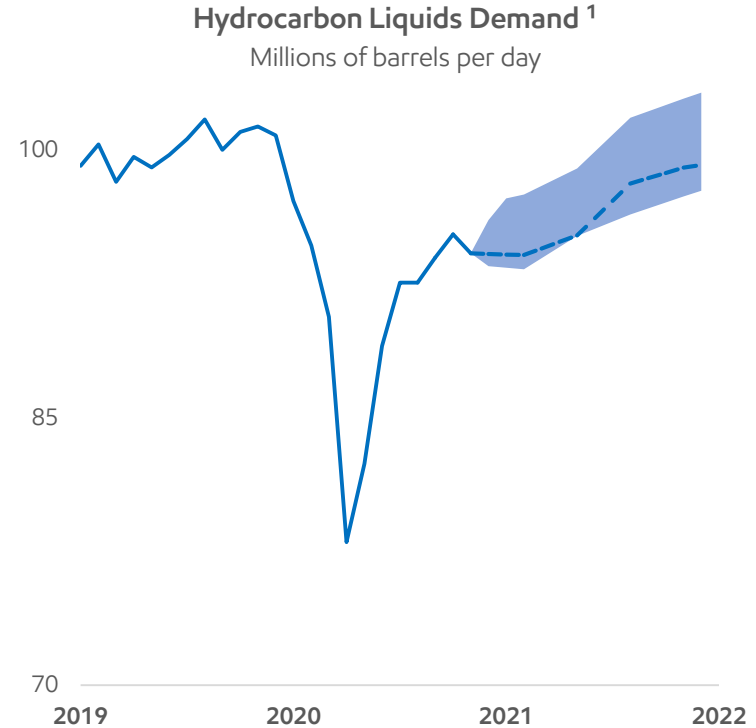
2H 2020 – More clarity, but still a lot of unknowns

- Fuels demand remained depressed, impacting refining margins¹
- Refineries responded to weak margins by continuing to spare¹
- Refinery economics driven by fuels; lowered base stock production¹
- Finished lubricants demand recovered to just below pre-COVID-19 levels
- Improved demand + lower production begin to create short term tightness in base stock market



Today and tomorrow

- COVID-19 impacts on transportation fuels demand will continue to challenge broader refiner margins / economics
- Announcements of additional refinery closures across the industry possible
- As fuels margins recover and the base stocks market returns to pre-COVID conditions, less efficient base stock production units will be challenged again
- Oil marketers need to ensure they partner with experienced refiners who have the capability to weather the continued challenges the industry faces



¹ Sources: IEA, S&P Global Platts, IHS Markit, Goldman Sachs, FGE, Energy Aspects, Rystad Energy, Argus, OPEC, ExxonMobil analysis of third-party data, 2020

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