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In This Issue:

- Petrobras to Expand Duque de Caixas Lubricants Plant
- TOTAL, Shell and Phillips 66 Announce Lube Price Increases
- Petrolimex to Show QR Code on Motor Oil Labels to Deter Counterfeiting
- Calumet Reports Revised 4Q and FY 2017 Results
- EPA to Ease Back Emissions Standards
- Please Complete the Form to Subscribe!

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Petrobras to Expand Duque de Caixas Lubricants Plant

Brazilian fuel distribution company Petrobras Distribuidora SA, a subsidiary of Petróleo Brasileiro S.A. (Petrobras), said in a securities filing last Thursday it will expand its Duque de Caixas lubricants plant, located in Rio de Janeiro. The company said it will increase production capacity at that plant by 55 percent to 42 million liters per year. The company's flagship line of lubricants is its LUBRAX line, which includes passenger car (including synthetics), commercial vehicle, heavy construction, industrial, marine, aviation, and agricultural lubricants. Petrobras Distribuidora is also part owner of a used oil regeneration/recycling plant, on land adjacent to Petrobras' Duque de Caxias refinery. The installation has a capacity to treat 30,000 tons of used oil per year, producing over 20,000 tons of base oils per year which is reused by Petrobras Distribuidora to formulate lubricants in its adjacent facilities. The Petrobras Refinaria Duque de Caxias (REDUC) also produces API Group I lube base oil with a production capacity of 11,200 barrels per day. Petrobras Distribuidora recorded R $ 1.15 billion (US$ 344 million) in net income in 2017, reversing a loss of R $ 315 million in the previous year. In the fourth quarter of 2017, net income reached R $ 531 million - compared to R $ 52 million in the same period of 2016. Parent company Petrobras posted a R$446 (US$135.8) million loss in 2017, it's smallest loss in the last four years. The company would have made net earnings of R$7.089 billion, but one-off expenses, in particular a R$11.198 billion deal to end a class action filed by investors in the United States, and participation in federal tax settlement programs, which amounted to R$10.433 billion. Operating income more than doubled between 2016 and 2017, to R$35.624 billion.

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TOTAL, Shell and Phillips 66 Announce Lube Price Increases

In a letter dated March 29, 2018 to its customers TOTAL Specialties USA announced a price increase of 3 to 5% for most branded lubricant products effective April 30, 2018. TOTAL attributed the increase as a result of the escalation and costs of base oils, additives and other materials used in the manufacturing of lubricants. In a letter dated April 4, 2018, Shell (SOPUS) said it will implement a price increase of up to 10% on finished lubricants effective May 7, 2018. The company said that in certain instances, the effective date and/or the amount of the price change may fall outside of these parameters. SOPUS attributed this adjustment as due in part to increasing costs of raw materials used in the production and delivery of its products. Total Specialties USA's previous most recent price increases was announced on January 26, 2018 of 4 to 8% effective February 26, 2018. Shell's previous most recent price increases was announced on January 15, 2018 of up to 5% effective February 19, 2018. In addition, refiner/marketer Phillips 66 last Thursday announced a price increase of up to 10% on its finished lubricants effective May 14, 2018. Phillips 66 attributed the increase to the rising costs of the production and delivery of its products. The company's previous most recent price increase was announced on January 25, 2018, an increase of up to 5% effective March 5, 2018. The previous week, Chevron announced a general price increase of all lubricating oils and greases up to 10% effective on May 7th, 2018. Chevron stated this increase is due to increasing costs of raw materials impacting the manufacturing of its products. And during the prior week, in a letter dated March 22, 2018, ExxonMobil announced that its branded and unbranded PVL, CVL, IND, Marine & Aviation lubricants and greases will increase in price by up to 10 percent effective April 23, 2018, stating that different price treatment may apply to selected products. Chevron's and ExxonMobil's previous most recent price increases were both announced on January 22, a general price increase of all lubricating oils and greases up to 5% effective on March 1, 2018 by Chevron and an increase on its branded and unbranded Passenger Vehicle Lubricants, Commercial Vehicle Lubricants, Industrial and Marine lubricants and greases by up to 6% effective February 26, 2018 by ExxonMobil. Independent marketer Nu-Tier Brands announced on March 28, 2018 a general increase of 6% to 8% on all its finished lubricants effective April 16, 2018. Nu-Tier attributed the adjustment to the increasing costs of raw materials and manufacturing. During the past several weeks, many independent oil blenders/marketers, including Royal Manufacturing, Martin Lubricants, Warren Distribution, Maverick Performance Products Sunbelt Lubricants, Reliance Fluid Technologies, Allegheny Petroleum, Chemlube, Advanced Lubrication Specialties, Sunoco, Cam2 International, Smitty's Supply, Pinnacle Oil, Sinclair Lubricants and Omni Specialty Packaging announced fished lubricant price increases.

Petrolimex to Show QR Code on Motor Oil Labels to Deter Counterfeiting

Hanoi, Vietnam-headquartered Petrolimex Petrochemical Corporation (PLC) has added a QR code on the packaging of Petrolimex lubricants to help customers identify the origin of goods. PLC said the implementation of the authentication stamp would enable customers to get detailed information about products such as quality, user guide, and certificates of quality and origin fully and quickly. Thus, customers can quickly and effectively recognize the origin of lubricants produced by PLC and avoid purchasing counterfeit goods in the market. Accordingly, a buyer who buys a product for direct use is advised to scratch off the silver aluminum on the authentication stamp to see the QR code and message code. Then customers use a camera phone (installed with CheckVN software available on the IOS Appstore or Android CH Play) to scan on the QR code for detailed information authenticating the origin of the product. Nevertheless, authentication is provided only once. From the second check, the system only informs that the product is sold, plus general information and information on quality certificate attached to the shipment. For non-camera phones, customers can get the message code on QR code 2 and send a message to 8077 to be authenticated using the following syntax: PLC (Code). SMS code starts with letters “A”, B, C…and any eight numbers) PLC said the Corporation would attach authentication stamps on products step by step. It means that for items produced by PLC, the company will prioritize selling items without a QR2 stamp, and then items with QR2 stamp (FIFO – First In First Out). For items blended by PLC for Total Vietnam, PLC will stamp the QR2 to confirm origin of the products manufactured by PLC for Total Vietnam. For Total Lubmarine items imported by PLC, PLC will prioritize selling items without a QR2 stamp, and then items with a QR2 stamp. For other items imported by PLC, PLC will only stamp QR2 upon specific demand for particular shipment.

Calumet Reports Revised 4Q and FY 2017 Results

Calumet Specialty Products Partners reported last Monday it suffered a larger fourth quarter loss than it first reported four weeks ago, losing $83.6 million vs. $79.6 million in the year-ago quarter and $64.9 million stated in its original fourth quarter report. Calumet said the $83.6 million Net loss for the fourth quarter 2017 included the impact of: (1) a $173.4 million net gain on sale from the divestitures of both the Superior, Wisconsin refinery and Anchor Drilling Fluids USA, LLC; (2) $206.9 million non-cash impairment charges primarily related to the revaluation of the Partnership's property, plant and equipment at several facilities; and (3) a $6.1 million adjustment related to allowances for bad debt reserves. Without these adjustments, Net loss for the fourth quarter 2017 would have been $44.0 million. Revised net loss for the year was $103.8 million vs $328.6 million for 2016 but higher than the $85.1 million originally reported. Calumet reported that EBITDA was $41.2 million, better than the $27.7 million reported in the year-ago quarter but revised down from $60.1 million in the original earnings report. The $41.2 million Adjusted EBITDA for the fourth quarter 2017 included: (1) a $9.6 million favorable net impact related to lower of cost or market ("LCM") inventory adjustments and last-in, first-out ("LIFO") inventory layers; (2) a $12.9 million net expense related to enterprise resource planning ("ERP") system expenses and realized hedging losses; and (3) a $6.1 million adjustment related to allowances for bad debt reserves. Without these impacts, Adjusted EBITDA for the fourth quarter 2017 would have been $50.6 million. During the fourth quarter 2017, total specialty products segment gross profit increased 8.3% compared to the year-ago period, driven by healthier market conditions, offset somewhat by rising crude feedstock costs. Adjusted EBITDA for the fourth quarter 2017 was $30.8 million, which was a 10.0% improvement compared to the year-ago period, despite the lower sales volumes associated with the lubes turnaround at Shreveport. The segment's Adjusted EBITDA Margin for the fourth quarter was 9.8% versus 9.2% for the prior year comparable period, despite some additional charges associated with the ERP implementation. The segment also benefited from a $2.5 million favorable LCM inventory adjustment, which was partially offset by a $2.1 million LIFO inventory liquidation loss. During fiscal year 2017, total specialty products sales volumes decreased 3.8% year-over-year, driven primarily by supply-chain disruptions that took place in the third quarter and the lubes turnaround at Shreveport in the fourth quarter. Specialty products segment Adjusted EBITDA decreased slightly due to consistently rising feedstock costs throughout 2017 and decreased sales volumes, partially offset by record volume and profit performance in the higher-margin packaged and synthetic specialty products and record throughput at the Cotton Valley refinery. On an annual basis, the specialty products segment's Adjusted EBITDA Margin was 14.3% in 2017, compared to 15.1% in 2016, which was due to the higher price of crude and the additional charges associated with the ERP implementation. Specialty products segment performance for 2017 was also impacted by a $10.9 million favorable LCM inventory adjustment and a $3.0 million LIFO inventory liquidation loss. Calumet attributes the mistake that prompted the revisions to “the ongoing implementation and associated learning process related to our new enterprise resource planning system."

EPA to Ease Back Emissions Standards

Last Monday, U.S. Environmental Protection Agency (EPA) Administrator Scott Pruitt announced the completion of the Midterm Evaluation (MTE) process for the greenhouse gas (GHG) emissions standards for cars and light trucks for model years 2022-2025, and his final determination that, in light of recent data, the current standards are not appropriate and should be revised. Administrator Pruitt also announced the start of a joint process with the National Highway Traffic Safety Administration (NHTSA) to develop a notice and comment rulemaking to set more appropriate GHG emissions standards and Corporate Average Fuel Economy (CAFE) standards. The rule that Obama's administration adopted in 2012 would have required automakers to achieve an average fuel economy of 54.5 miles per gallon by 2025 for vehicles sold in the U.S. Pruitt did not specify what limits would be put in place. Current regulations require the fleet of new vehicles in real-world driving to get 36 miles per gallon by 2025. The U.S. fleet averaged 31.8 mpg for model year 2017, according to federal figures. On July 29, 2011, President Obama announced an agreement with thirteen large automakers to increase fuel economy to 54.5 miles per gallon for cars and light-duty trucks by model year 2025. He was joined by Ford, GM, Chrysler, BMW, Honda, Hyundai, Jaguar/Land Rover, Kia, Mazda, Mitsubishi, Nissan, Toyota, and Volvo—which together account for over 90% of all vehicles sold in the United States—as well as the United Auto Workers (UAW), and the State of California, who were all participants in the deal. The agreement resulted in new CAFE regulations for model year 2017–2025 vehicles, which were finalized on August 28, 2012. “The Obama Administration's determination was wrong,” said EPA Administrator Scott Pruitt. “Obama's EPA cut the Midterm Evaluation process short with politically charged expediency, made assumptions about the standards that didn't comport with reality, and set the standards too high.” According to an article in the Washington Post, California officials wasted no time last Monday in excoriating the decision. “This is a politically motivated effort to weaken clean vehicle standards with no documentation, evidence or law to back up that decision,” Mary Nichols, head of the California Air Resources Board, said in a statement. She argued that the move would “demolish” the nation's shift toward cleaner cars and that “EPA's action, if implemented, will worsen people's health with degraded air quality and undermine regulatory certainty for automakers.” Nichols also hinted at the potential legal fight to come. “This decision takes the U.S. auto industry backward, and we will vigorously defend the existing clean vehicle standards and fight to preserve one national clean vehicle program,” she said, adding that the EPA's decision “changes nothing in California and the 12 other states with clean-car rules that reduce emissions and improve gas mileage – those rules remain in place.” “No one in America is eager to buy a car that gets worse gas mileage and spews more pollution from its tailpipe,” said Fred Krupp, president of the Environmental Defense Fund. “Designing and building cleaner, more cost-efficient cars is what helped automakers bounce back from the depths of the recession and will be key to America's global competitiveness in the years ahead.” Under the Clean Air Act (CAA), EPA sets national standards for vehicle tailpipe emissions of certain pollutants. Through a CAA waiver granted by EPA, California can impose stricter standards for vehicle emissions of certain pollutants than federal requirements. The California waiver is still being reexamined by EPA under Administrator Pruitt's leadership. The government in California has vowed to stick to its own tough fuel economy mandates. California has authority under the Clean Air Act to set its own emissions limits, and it has threatened to sue if its waiver is revoked and it is blocked from imposing stricter targets. Such a fight has broad implications, because 12 other states, representing more than a third of the country's auto market, follow California's standards.ma-era EPA regulations will set off yet another legal standoff between the federal government and the state of California. California, which is already engaged in more than 25 court battles with the Trump Administration over issues including immigration, the 2020 census, transgender military service, healthcare, and environmental concerns, will sue to maintain the fuel efficiency standards the state has created. “Cooperative federalism doesn't mean that one state can dictate standards for the rest of the country. EPA will set a national standard for greenhouse gas emissions that allows auto manufacturers to make cars that people both want and can afford — while still expanding environmental and safety benefits of newer cars. It is in America's best interest to have a national standard, and we look forward to partnering with all states, including California, as we work to finalize that standard,” said Administrator Pruitt. These measures were created to reduce emissions

that cause climate change, but car companies have protested them for years. While U.S. auto manufacturers may be in favor of this rollback, primarily due to the extra cost of compliance, many others are not. “Rolling back fuel-efficiency and emissions targets would make zero sense economically for anyone but oil companies,” says David Richardson, the executive director of business development at Impax Asset Management. “In fact, it would set back American car companies and those working for them because the global automotive market is moving the opposite direction, away from gas guzzlers and toward cleaner, more efficient cars and associated technology.” Industry sources said the change in U.S. policy will have no effect on foreign automakers, who still face continued tightening requirements in their countries and elsewhere. The Asian and European auto manufacturers have their own standards that they have to meet. This will result in continued fuel economy improvement by the U.S. automakers since more than half of their sales are now in foreign countries.

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