In this month’s Charles R Weber refinery report, we provide readers with the latest developments in the refinery sector as they relate to the seaborne refined product trade and refined product tanker shipping. The report mixes up to date news with detailed information about global refinery capacity and seaborne trade in order to understand how seaborne trade patterns and product tanker profitability will develop, in both the short and medium term.

Bandar Abbas refinery gasoline & CCR units on stream in Sep. - May 2016 - Iran is to boost the gasoline output and the quality of its Bandar Abbas Refinery by September 2016, when it will launch new gasoline production and continuous catalytic regeneration (CCR) units.

According to Shahrokh Khosravani, deputy MD of the National Iranian Oil Refining and Distribution Company (NIORDC), all the required machinery and equipment for installation of the units have been purchased and are being installed at their designed spot.

The refinery will produce euro-4 petrol (gasoline) once the two projects come online. Once fully operational, this project will be producing 21Kbd of low-density naphtha, 25Kbd of high-density naphtha and 120tons a day of sulphur.

With the new Assalouyeh refinery also due to be commissioned this year, and crude oil production just shy of pre-sanction levels in 2011, Iran has very rapidly re-established itself as a big hitter in the international crude oil market.

Iran’s resurgence is also reflected in plans to invite international companies to bid for up to 15 oilfield development projects in June.

Kuwait plans to invest USD42Bn in oil - May 2016 - Kuwait National Petroleum Company (KNPC) is planning to invest USD42Bn in its oil sector by 2022 – including a new refinery and clean fuels project.

Deputy Director, Abdullah Al Aimi, announced that KNPC’s planned Clean Fuel Project, which would transform two refineries into an “integrated merchant refining complex”, will be 75% complete by the end of this year.

Anas Al-Saleh, Kuwait’s Minister of Finance and acting Oil Minister, recently announced that the country was going to be “spending as much as possible” in the wake of the global oil price shock.

Russia to almost double oil and oil products supplies to Asia-Pacific by 2035 - May 2016 - Russia Energy Minister Alexander Novak said the country hopes to increase supplies of oil and oil products to Asia-Pacific nations 1.8-2.2 times by 2035. Novak also announced that Zarubezhneft is exploring the possibility of acquiring some assets from Malaysia’s Petronas. The parties are currently holding consultations.

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First cargo of Saudi crude sold to independent refiner arrives in China - May 2016 - The first vessel carrying Saudi Arabian crude sold to an independent refiner in China arrived at the port of Longkou in May. The 730Kbbl cargo of Arab Heavy crude was sold by Saudi Aramco to Chambroad Petrochemical, in the first sale by the world’s top oil exporter to China’s emerging independent refining segment.

Saudi Aramco rarely sells crude in the spot market. It has, however, been supplying China’s state-owned refineries via term contracts. This latest move comes as the company lost its spot as China’s top supplier last year to Russia, which has seized the opportunity to tap into the independent refinery sector.

Chambroad has a 70.3Kbd refinery in Shandong province, around 300 km from Longkou port.

Rosneft & Pertamina ink deal for integrated refining complex - May 2016 - Rosneft and Pertamina of Indonesia have signed a framework agreement to cooperate on development of a grassroots refining and petrochemical complex to be built at Tuban, in East Java, Indonesia.

The companies will perform a bankable feasibility study to finance the project, as well as establish a joint venture for its implementation. They have also agreed to execute studies to investigate prospects for joint projects in the area of crude and oil products supplies, logistics and infrastructure; the potential for Pertamina to enter in Rosneft’s upstream Russian projects; and partnership in international joint projects for oil refining.

Phillips 66 in final stages of selling Ireland’s only oil refinery - May 2016 - Phillips 66 is in the final stages of selling its 71Kbd Whitegate refinery in Cork, the only oil refinery in Ireland, with an agreement to be reached within the coming weeks. It was unclear whether the potential buyers intended to keep the plant open or close it and use it for storage only.

It is reported that Arclight Capital, Irving Oil, PTPPlusOne and Valero Energy were in the running, with Irving Oil the frontrunner. None have commented.

Gazprom awards contract for CRU at Moscow refinery - May 2016 - Gazprom has awarded a contract to Nipigaz to serve as general contractor to provide extensive construction and installation works related to commissioning of a Euro+ combined refining unit (CRU), to be built as part of the ongoing modernisation and upgrade of its 12.15Mta Moscow refinery.

With JSC AEM-Technology, the machine-building division of Russian state enterprise Rosatom, already at work on a major plant to be included in the Euro+ CRU, the unit is due to be commissioned in 2018.

The Euro+ CRU, a key project in Phase 2 of Gazprom Neft’s full modernisation of the Moscow refinery, will be used for primary oil refining, as well as for production of high-octane Euro-5 fuels and vacuum gas oil, and increase crude processing capacity from 11Mta to 12Mta.

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Notes: Mta = million tonnes per annum

Aznefteyag refinery to be demolished in 2018 - May 2016 - Azerbaijan’s Aznefteyag oil refinery will be demolished after the commissioning of the new bitumen unit at Baku’s Heydar Aliyev refinery in the summer of 2018. The move is intended to eliminate economically inefficient production activities associated with operations in two separate refineries.

ExxonMobil plans upgrading program at Altona refinery - May 2016 - ExxonMobil subsidiary Mobil Refining Australia is planning to expand capacity at its 80Kbd Altona refinery in Victoria by 10Kbd. Alongside work on the refinery’s crude unit, the planned AUD20Mn (USD14.7Mn) investment will cover technical projects designed to boost the refinery’s production of diesel and jet fuel. The project is expected to be completed by 2017.

Saudi Aramco to start Cilacap refinery project - May 2016 - Pertamina is soon to start the engineering process at Saudi Aramco’s Cilacap refinery project in Central Java, following a deal being signed.

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Latest continued...
Recent and Planned Refinery Additions

Skikda, Algeria Dec-16
Napa Napa, P N Guin Dec-16
Ryazan Refinery, Russia Dec-16
Nizhnekamsk, Russia Dec-16
West (C Christ) USA Dec-16
Thunder Butte, USA Dec-16
Zhangzhou, China Dec-16
Taizhou, China Dec-16
Shandong, China Dec-16
Hebei Zhongjie, China Dec-16
Robinson, USA Dec-16
Novopolotsk, Belarus Dec-16
Sochar Bitumen, Oman Dec-16
Sochar, Oman Nov-16
Bayelsa (I), Nigeria Nov-16
Laffan (II), Qatar Oct-16
Assalouyeh (II), Iran Oct-16
Bandar Abbas, Iran Sep-16
CHS (McPherson), US Sep-16
Toldeo, USA Aug-16
Manali, India Jul-16
Magellan, USA Jul-16
Assalouyeh (I), Iran Jun-16
Woods Cross, USA May-16
Valero Houston, USA May-16
St Charles, USA Mar-16
Great Falls, USA Mar-16
Cartagena (II), Col Feb-16
Gualiberto VC, Bolivia Dec-15
Corpus Christi US Dec-15
Mckee, USA Dec-15
Port Arthur, USA Nov-15
Paradip (I), India Nov-15
Cartagena (I), Col Nov-15
Batangas, Phillipines Nov-15
Ruwas (100%), UAE Nov-15
Turkmenbashl, Turk Oct-15
Esmeraldas, Ecuador Sep-15
Galina Park (II), USA Jul-15
Buckeye, USA Jul-15
Volgograd, Russia Jun-15
Bataan, Phillipines Jun-15
Porvoo, Finland Jun-15
Dakota Prairie, USA May-15
Byco Oil (II), Pakistan Apr-15
Galina Park (I), USA Mar-15
Tyler, USA Mar-15
Ruwas (50%), UAE Feb-15
Jiujiang, China Jan-15

We estimate that net global refinery capacity increased by 1.1Mnbpd in 2015. This built on increases of 1Mnbpd in 2014, 1.4Mnbpd in 2013 and 1.1Mnbpd in 2012 (the latter two numbers are based on BP data).

In 2016 and 2017, we anticipate net refinery capacity additions of 1Mnbpd and 0.8Mnbpd respectively. After 17 new refinery additions (each adding >=10Kbd) in 2014 and 21 in 2015, we expect approx 20 projects to complete in 2016. Despite the recent modest rebound, oil prices are - in some cases - still below expected levels when projects were planned. Therefore, it is likely that some projects will be delayed or postponed, which may alter the picture significantly.

In 2014-15, closures accounted for more than 1Mnbpd of capacity, and 0.7Mnbpd per annum has been mooted for closure in 2016 and 2017 respectively - spread between China, France, Gabon, Ireland, Japan, Kuwait, South Korea, Taiwan and UK.

It will be interesting to see if the new Chinese refinery capacity will succeed in backing out non-Asian imports into Asia, especially now that Chinese "tea pot" refineries have started to export. As of 1H15, North East Asia has seen strong product import growth, with regional exporters holding onto market share in the face of strong competition from the Middle East.

The refinery timeline chart (left) is derived from Weber’s own detailed tracking of new refinery projects. The chart below compares our summary forecast for refinery additions 2015-2017 with that provided by a large US based refiner. This comparative forecaster factors in project delays beyond those reported by the refiners themselves. The US refiner has an interest, of course, in taking a conservative view of new projects coming online and has pushed some projects out beyond 2017.

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