

Turkish Lubricants Market Overview

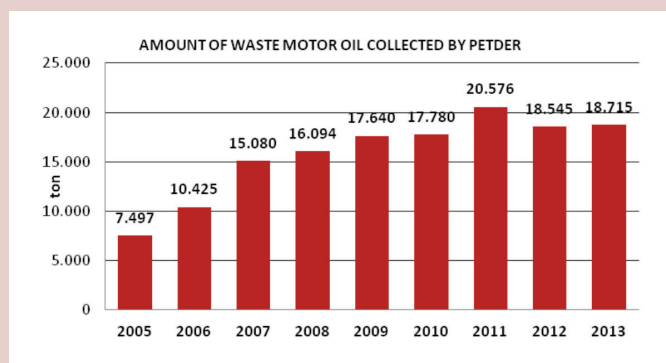
2013

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PETDER

The Turkish Oil Industry Association, PETDER, was established in 1996 through a consortium of leading fuel distribution companies actively participating in the Turkish Oil Market with the aim of forming a non-governmental organisation supporting a spectrum of business activities in the downstream oil industry and lubricants market. As you will see from the logos of our members, they are the major national and international players of the oil and lubricants market.

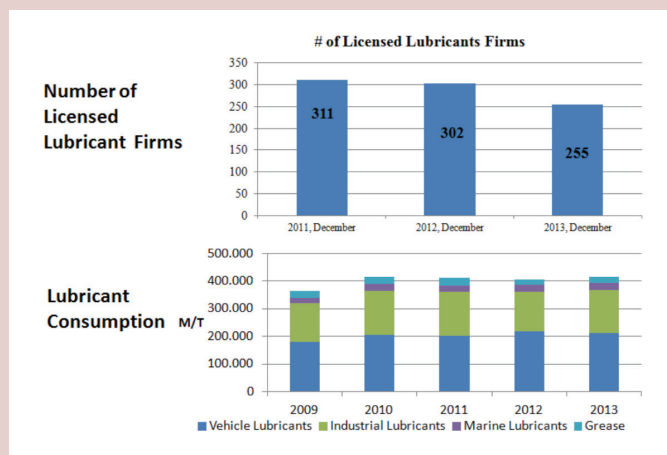


PETDER as an association also initiated a waste motor oil collection since 2004. On behalf of motor oil sellers and importers, their legal liabilities have been fulfilled by PETDER which is the only authorised body of the Ministry of Environment and Urban Planning. Waste motor oil collection volumes are about 18 to 20 ktons annually.

TURKISH LUBRICANT MARKET

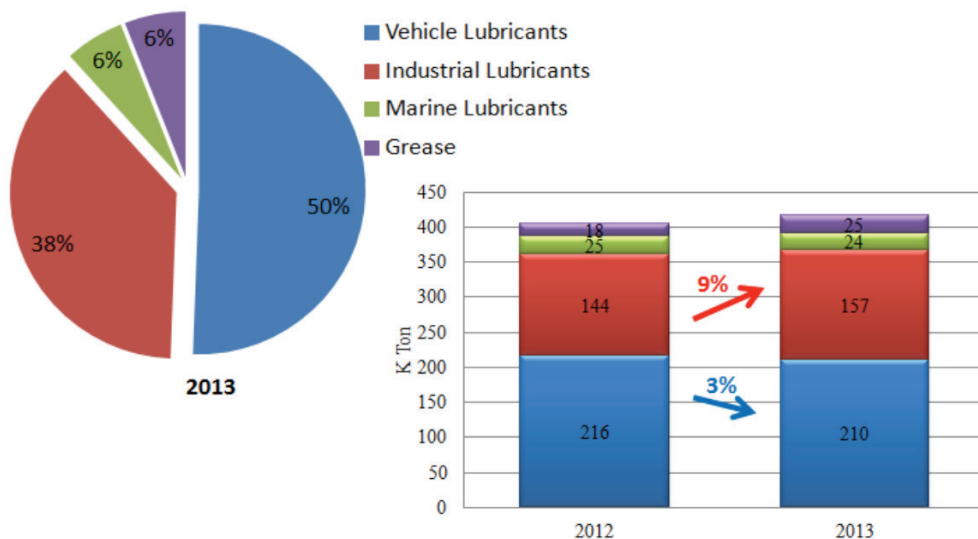
The Turkish lubricant market has too many players. Although, the number of blenders increased up to the end of 2011, it started to decrease during the last two years. As of December 2012 it was 255. Currently the number has dropped to 239.

Nameplate annual blending capacity of these licensed blenders is about 3 million tons according to the Energy Market Regulatory Agency (EMRA) data.



As we all know Turkey has one base oil refinery TÜPRAŞ located at İzmir, and produces Group 1 base oil with a capacity of 400 ktons annually.

Since EMRA hasn't published Turkey's lubricants sales figures in their reports, PETDER applied to the competition authority to get a permission to collect and publish inland total lubricant sales and breakdowns by independent firm under the coordination of PETDER to public general and market players by voluntary participation of blenders. With this permission, Lubricants sales figures have been collecting by PricewaterhouseCoopers (PWC) with voluntary participation of blenders under coordination of PETDER. The total lubricant market figures have been determined through comparing this PWC data and the declarations to the Ministry of Environment and Urban planning.



As you can see from the chart real lube sales which are classified as vehicle lubricants, industrial lubricants, marine lubricants and greases haven't increased considerably between 2010 and 2013, realized about 400 to 420 ktons. Total domestic lubricant consumption in 2013 increased 2% compared to the same period of the previous year and realized as 416 ktons in 2013. The reason for the sharp increase from 2009 to 2010 which is 14.4% can be explained with the recovery from the 2008 Global Financial Crisis.

If we go in to the details on 2013 figures we will see that vehicle lubricant sales accounted for 50% of the total lube sales which correspond to 210 ktons. Industrial lubricants accounted for 38% of the total sales and correspond to 157 ktons. And marine lubricants and greases accounted for 6% each and correspond to 24 ktons and 25 ktons respectively.

In 2013 although vehicle lubricant sales decreased 3%, industrial oil sales increased 9% compared to 2012. The reason for the fall in vehicle lubricant sales can be explained by longer drain

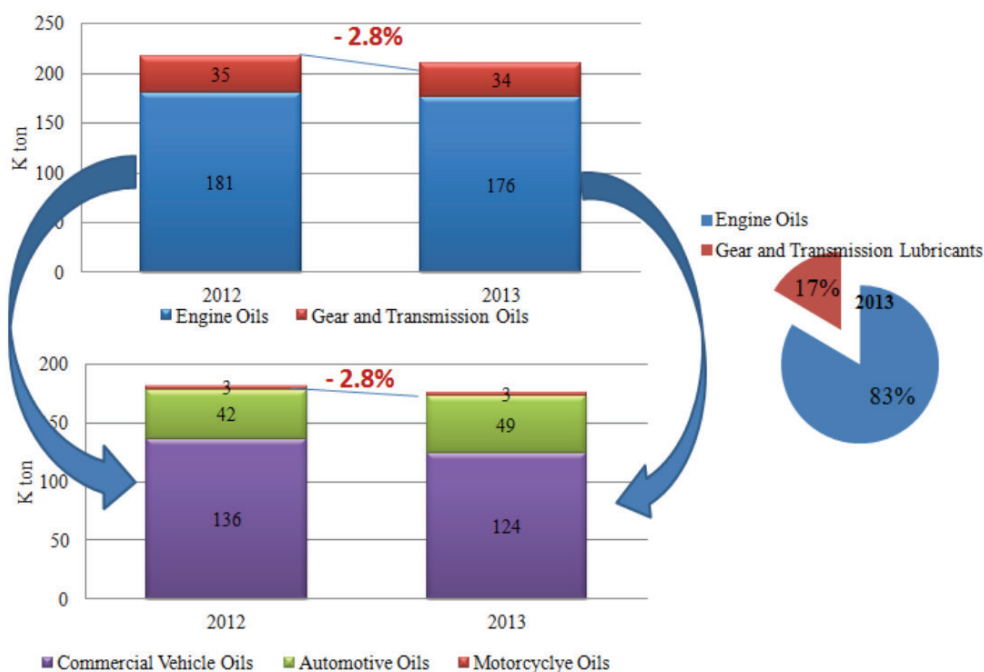
intervals with high quality lubricants. The rise in industrial oil sales can be explained with new investments on hydroelectric dams and a fast growing construction sector.

Vehicle Oil Sales

In 2013, vehicle oil sales totally decreased by 2.8% compared to the previous year.

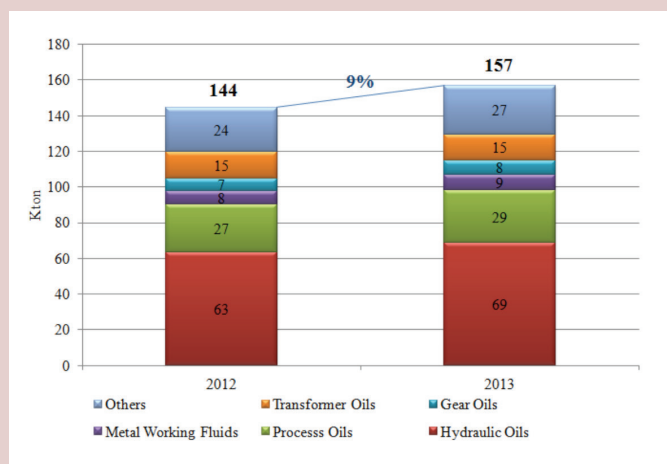
The chart below, engine oil and gear & transmission oil sales, classified under vehicle lubricants sale, outlines that engine oils constituted 83% while gear and transmission oils constituted 17% of the vehicle oils according to 2013 figures.

Engine oils sales decreased by 2.8% percent compared to the previous year. Breakdowns of engine oils are: commercial vehicle oils, automotive oils and motorcycle oils. Commercial vehicle oil sales decreased by 8.8% and reached 124 ktons, automotive oil sales increased by 16.6% and reached 49 ktons. Motorcycle oil consumption is about 3 ktons and remained unchanged.



Industrial Oil Sales

In 2013 157 ktons of industrial oils sold with an increase of 9% compared to the previous year. The main portion of the total industrial lubricants were hydraulics which accounted for 44% of the total, process oils accounted for 19%. Other breakdowns are given in the chart.



Oversupplied Base Oils

As we can see from the table Turkey's base oil import increased considerably from 600 ktons to 1 million ktons between 2009 and 2011. Base oil imports reached to a peak in 2011. But it has started to decrease for the last 2 years. Import figures of additives and preparations totally haven't changed much. This table is produced by the Turkish Statistical Institute Foreign Trade Statistics, lubricants sales figures and Refinery base oil sales.

As I mentioned previously, the domestic lubricant sales haven't increased much for 4 years except for 2009 which was recovery from the 2008 economic crisis.

The bottom line is that the Turkish market has been oversupplied 3.5 million tons of base oil & lubes between 2009 and 2013. Over supplied lubricants which will probably go onto the black market and be consumed illegally as diesel fuel. Oversupplied amount seems to be in downtrend in 2014.



Conclusion

Besides all these developments, in the future the Turkish Lubes market will grow in parallel to Turkey's growing economy. With a 18 million car park and growing manufacturing and construction sector, the Turkish lubricant market shows promise especially dominated by vehicle and industrial lubes.

	2009	2010	2011	2012	2013
Base oil import	605.766	955.659	1.033.622	832.627	743.795
Lubricants import	61.942	75.368	107.434	94.824	114.495
Additives and preparations import	67.471	70.688	70.909	61.363	72.350
Refinery base oil sales	244.000	316.426	380.104	266.000	154.291
TOTAL Supply (A)	979.179	1.418.141	1.592.069	1.254.814	1.084.931
Base oil export	13.571	1.366	1.052	706	3.858
Lubricants export	116.633	143.338	139.580	135.000	174.070
Additives and preparations export	20.251	10.958	5.514	6.551	13.695
Lubricants sales, inland	362.000	416.000	411.000	408.000	416.000
TOTAL Demans (B)	512.455	571.662	557.146	550.257	607.623
Oversupply (A-B)	466.724	846.479	1.034.923	704.557	477.308
Base Oil Consumption	836.195	1.270.719	1.412.674	1.097.921	894.228

Also the refinery sales made a peak in 2011 which was 380 ktons then decreased to 154 ktons as of 2013. As I mentioned previously refinery nameplate production capacity is 400 ktons per annum.

So, if we look at the base oil export figures, you can see that it was unstable during the previous years but the figures are not such a high level. When we look at the lubricants export figures, it is good to see that Turkey started to export more finished products in 2013 than the previous years.

The market is extremely sensitive to tax regimes due to tax differences between fuel and nonfuel products. In the future it is important to prevent smuggled activities by using base oil as diesel and remove unfair competition by the help of new license regime and new improved standards.

LINK
www.petder.org.tr/en