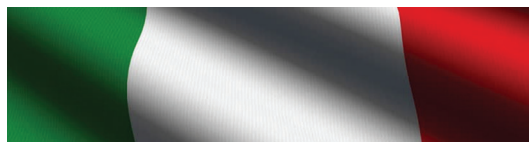


ITALY

GAIL: The Italian Lubricants Association



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With total consumption of 433 thousand tonnes in 2016 including 30 thousand tonnes of electrical and white oils, Italy is one of the largest lubricant markets in Europe and ranks alongside Germany, the UK and France as being the European Union's most advanced industrialised countries.

The Italian lubricant market is quite evenly split between automotive lubricants accounting for around 51% of the market, and Industrial which accounts for the remaining 49% of market volume. Most lubricants are still sold on a direct basis with the retail sector, that sold on petrol retail forecourts, comprising a very small minority of supply as a channel to market at around 1% of total volumes.

The country has one of the largest vehicle fleets in Europe, at 49 million, and has continued to see moderate growth, averaging some 1.2% per year during 2010 and 2015. Like most European countries lubricants sold in Italy are subject to VAT (Value Added Tax or sales tax), at a standard rate of 22%. Italy also levies excise duty on lubricants, at a uniform rate of Euro 788 per ton.

The Italian lube market is intensely competitive, with a dense mix of established domestic and international companies operating in a saturated and mature market. ENI is the market leader closely followed by Petronas (FL Selenia). The merger in 2010 of Total and Erg in the Italian market has propelled this newly formed joint venture into third place. The largest ten companies account for around 75% of the total Italian lubricant market.

In the automotive sector Italian consumers display a strong preference for full-service transactions supported by a network of small independent garages operating alongside the official OEM resellers. In contrast the industrial market is highly fragmented, typified by Small and Medium-sized Enterprises (SMEs), and requires an increasing level of highly specialised products and services supply.

In terms of the supply chain, Italy is home to both base oil refineries as well as re-refineries. ExxonMobil's Augusta site produced 700 thousand tonnes a year of refined product, whilst ENI's Livorno site produces 600 thousand tonnes a year. Their combined capacity of 1.3 million tonnes a year makes Italy Europe's second largest base oil refiner of Group I product.

Italy has one of the most efficient waste oil recollecting system in Europe with a well-developed re-refining industry. Re-refined base oil accounts for around 25% of the country's domestic base oil supply. The country remains a significant net exporter of base oil (Group I) product and finished lubricants with an estimated overall net surplus of more than 700 thousand tonnes in 2011. While the country's blending capacity is estimated at more than 800 thousand tonnes a year with low utilisation rates at 50% on average.

LINK
<http://gail.federchimica.it/>

GAIL is the Italian Lubricants Association, one of the sector groups of Federchimica, the Italian Federation of Chemical Industry. Founded in the early 1950s, today GAIL represents 35 companies covering approximately 50% of the Italian market including independent companies, re-refiners, majors and lubricant additive manufacturers.