

France

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France, one of the original signatories that created the European Union, is a country of 65 million people. It is the third largest European economy by GDP after Germany and the UK and sixth in the world according to the IMF's 2018 figures.

Currently with its youngest-ever President, Emmanuel Macron, elected in 2017, France has seen the economic growth of 2.2% in that year reduce to 1.6% last year. The European Commission is forecasting a further slowdown to 1.3% in 2019 as Macron faces the fallout from a wave of countrywide anti-government protests which began at the end of 2018.

The vehicle parc and manufacturing

France has two indigenous car manufacturing companies: Peugeot (PSA Group) and Renault Group. China's DongFeng Motor Group and the French Government each took a 13% stake in PSA, which in turn purchased the assets of the Opel Vauxhall Group from GM in 2017.

The French Government also owns 19.7% of Renault, with Nissan Finance holding a 15% stake in the company. Renault forged a direct alliance with Nissan in 1999, extended to include Mitsubishi when Nissan took a controlling interest in its Japanese rival in 2017. However, the group has been dogged by misconduct allegations of former boss, Carlos Ghosn. Recent merger talks with Fiat Chrysler failed, turning the spotlight on PSA Group who have also been linked with Indian conglomerate Tata, which is trying to off-load its Jaguar Land Rover business.

In June 2018 the French passenger car parc numbered 41m vehicles. Renault was the best-selling car brand, followed by Peugeot, Citroen, Dacia and Opel, with new car registrations totalling 2.6 million. Petrol sales were greater than diesel powered cars.

The drive towards electric vehicles has also been led by Renault, with the Clio-sized all-electric Zoe

providing a major share of the burgeoning European EV market.

The fuel and lubricants sector

The French Oil Industry really emerged between World Wars I and II as they raced to create an independent energy policy. The nation's energy weakness was seriously exposed on the eve of World War I as it was totally dependent on the oil majors, particularly US-based Standard Oil.

The industry is now represented by two bodies, the Chambre Syndicale Nationale de l'Industrie de Lubrifiants (CSNIL) and Union Française des Industries Pétroliers (UFIP), members of whom are also members of the Union of the European Lubricants' Industry (UEIL) which represents lubricant companies at a European level.

France's seven crude refineries, mainly operated by Total along with ExxonMobil's Esso and Ineos, with a refining capacity of 62m tonnes at the end of 2018, manufacturing a total of 800,000 tonnes of raw product. Their output of 10.6m tonnes of petrol and 18.8m tonnes of diesel exceed the 7.4Mt domestic petrol demand and meet just over half the 34.8Mt diesel consumption.

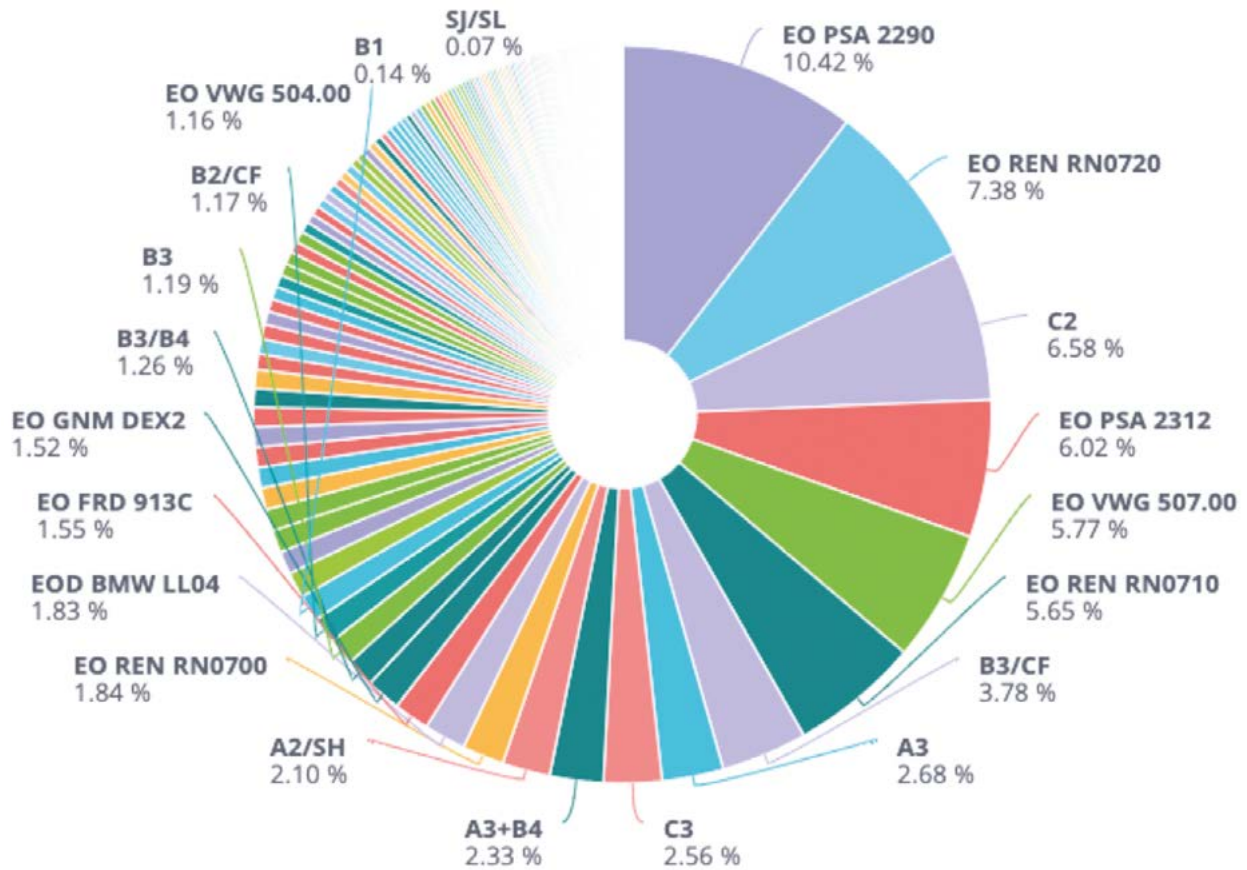
This reflects the parc's continued majority of diesel-powered engines – despite a downward sales trend reflecting continued fallout from the VW emissions scandal and diesel-focused scrappage campaigns. The industry is well served, with 11000 service stations, 200 fuel depots, 6000 km of pipelines, 17 fuel terminals and employs more than 600000 people, directly and indirectly in France. The majority of the infrastructure is situated around high population density areas.

As with many mature lubricants markets, France's consumption is essentially a slow downward trend. In 2017 usage was approximately 2.5 million tons, down from a 2007 peak of some 3.5 million tons.

More than 70 companies supplied lubricating fluids last year. Unsurprisingly, it is specifications for the country's two major OEMs that dominate the lubes market, with PSA 2290 at 10.4% just eclipsing

Renault's REN RN0720 7.4% share. Peugeot's C2 and 2312 specs come next, just ahead of VW Group's 507.00 spec which holds a 5.8% share.

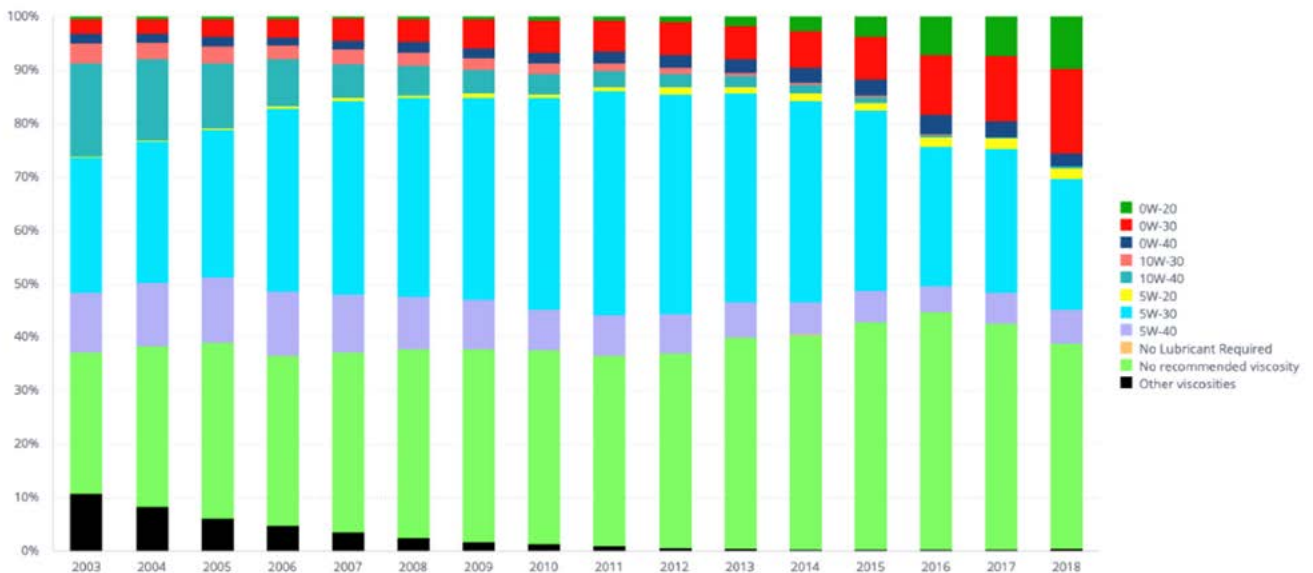
Engine Oil Specification by French Car Parc % [SOURCE : OATS]



With regard to viscosities, since 2016, SAE 0W-20 and 30 viscosities have seen significant increase in market share, with 5W-30 still holding the dominance it gained in 2006. Formulated oils have moved to

predominantly Group II base oils, together with Group III and Group IV, in an effort to meet ACEA 2021 CO₂ target reductions.

Parc % by year of Manufacture by significant Viscosities



In Summary

As with other European markets, French OEMs have steadily moved away from ACEA's basic oil specifications, adding additional in-house tests to create their 'own-brand' lubricants. Potential OEM or dealer suppliers thus have to obtain individual OEM approvals.

The result has been a massive increase in lubricant approval costs, now running into millions of Euros and impacting both national and international companies. This has caught the attention of the Union of the European Lubricants Industry (UEIL) as potentially creating anti-competitive behaviours by excluding producers unable or unwilling to meet individual specs for OEM dealers and workshops.

The continued focus on strengthening emissions targets will also impact the French market as the demand for lower-viscosity, higher-performance lubricants increases as newer vehicles join the parc and scrappage deals reduce older vehicles, particularly diesels.

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