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Kline Analysts: Qatar/Exxonmobil's Cancelled GTL Plans Open Doors for Group III Basestock Refiners

LITTLE FALLS, NJ, FEBRUARY 27, 2007 – Last week's announcement by Qatar Petroleum and ExxonMobil to scrap plans for a multi-billion-dollar gas-to-liquids refinery in Qatar may portend a brighter future for refiners of lubricant basestocks, according to industry analysts from [Kline & Company](#).

"With ExxonMobil's GTL refinery out of the picture, this strips about 30,000 barrels per day of high-performance Group III+ basestocks out of the supply forecast for the 2010 to 2015 timeframe," says Geeta Agashe, director of the Petroleum & Energy practice for Kline's research division. "This will likely boost demand for Group III basestocks as lubricant formulators—including ExxonMobil—look for other sources for their supply."

The announcement not only takes ExxonMobil out of the GTL game for now, but it also has the potential to reposition the company from being one of the largest suppliers of API Group III+ basestocks to being one of the leading consumers of Group III basestocks in the 2010 to 2015 timeframe.

"We think ExxonMobil will be short on Group III by 2015 and will either need to buy basestocks on the open market or add grassroots capacity to convert fuel hydrocracker bottoms for their own internal needs," Agashe says. "This would require a much smaller total investment—around \$250 to \$300 million for the basestock refining investment—as opposed to \$18 billion-plus for an entire GTL facility. Either way, formulators looking to ExxonMobil's GTL basestocks to meet their high-performance basestock needs might have to look for other avenues."

This is good news for companies considering investment in Group III refining capacity, and even better news for those like Malaysia's Petronas and Taiwan's Formosa Plastics, which have already made announcements about grassroots investment in Group III refineries.

"Obviously, the issue of supply and demand, and the impact it has on pricing, plays a major role in any investment decision," says Bill Downey, vice president and head of Kline's Petroleum & Energy consulting practice. "With 30 KBD out of the supply forecast, this presents a great opportunity for companies looking to invest in Group III refining. This could even lengthen the life of some higher-cost Group I refineries and create additional opportunities for PAO and Group II producers."

Agashe says the magnitude of the ExxonMobil announcement means that Kline's team has had to rework its forecasts for both the pricing and supply/demand modules of [KLINE'S GLOBAL LUBRICANT BASESTOCKS THREE-YEAR ANNUAL SERVICE, 2006-2008](#) before making them available to subscribers in the coming weeks. The service, which also features a manufacturing cost economics module, includes a dynamic tool that allows subscribers to make adjustments and test variables based on changing market conditions.

"The beauty of the model is that it's dynamic," Agashe says. "Subscribers can make adjustments as events unfold and test 'what if' scenarios to arrive at accurate forecasts based on up-to-the-minute market conditions."

For more information on this program, go to www.klinegroup.com/reports/y618.asp or contact [Geeta Agashe](#) at +1-973-435-

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Established in 1959, Kline & Company (www.klinegroup.com) is an international management consulting and market research firm serving the petroleum and energy, specialty chemicals, life sciences, and consumer products industries.

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