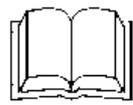


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Lubricants Market Research in Russia

Demo

*Moscow
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Annotation

The report is devoted to investigation of current standing of market of lubricants in Russia and forecast of its development. The report consists of 6 Sections, contains 139 pages, including 45 Figures, 94 Tables and 4 Appendices. This work is desk study. As information sources, we used data of Rosstat (Federal Service of State Statistics of Russia), Federal Customs Service of Russia, official domestic railage statistic of JSC RZhD (former Ministry of Railway Transport of Russia), sectoral (industrial) and regional press, annual and quarterly reports of companies, as well as data from web-sites of company-producers and consumers of lubricants.

The first Section of the report presents information on requirements, imposed on quality of lubricants. Tables on groups of exploitation properties of engine oils in Russia and their correspondence to groups of engine oils to API, as well as classification of viscosity classes in Russia and correspondence to viscosity classes to SAE are given in Appendix 1.

The second Section of the report is devoted to production of lubricants. The Section presents information on production of lubricants in Russia as a whole and on output of distinct kinds of luboils in the country; besides, map of location of the greatest producers of lubricants in the territory of Russia is shown.

The third Section of the report presents information on current standing of the greatest producers of lubricants in Russia, including data on productive capacities of the enterprises and their utilization, range of products, volumes of sales at domestic and world markets. In Appendices 2 and 3, characteristics of some kinds of engine oils of PC (Petroleum Company) Lukoil and TNK-BP are given.

The fourth Section of the report presents analysis of information of Federal Customs Service of Russia on Russian foreign trade in lubricants in 2000–2006, with detailed breakage of the import supplies by company-manufacturers and company-addressee.

The fifth Section of the report analyses consumption of lubricants in Russia: it presents supply-denmand balance of lubricants and pattern of the consumption, as well as information on the main Russian enterprise-consumers of the products.

The sixth, final Section of the report presents forecast of production of lubricants in Russia, based on forecast of the main industrial end-uses of lubricants.

In Appendix 4, contact information on producers of lubricants in Russia and the greatest Russian consumers of the products is presented.

Introduction

The report is devoted to analysis of market of lubricants in Russia, with description of role of imported lubricants at the market and their suppliers to the market.

Lubricating materials are viscous oily liquids or pastes, designated for minimising friction and wear of friction materials. The materials are subdivided into lubricating oils (luboils) and pliable greases. The materials are composed of base oil and additives, improving its properties.

By method of production and composition, luboils are subdivided into 3 groups: Mineral, Semisynthetic and Synthetic. All the engine oils are composed of base oils and specified additives, introduced into the oil composition for improving properties of the oil.

Semi-synthetic oils base is mix of synthetic and high-grade mineral base oils.

In volume of production and usage, mineral luboils obviously dominates in lubricants as a whole.

1. Requirements, imposed on quality of lubricants

Lubricants are composed of base oil and additives, improving its properties.

In industry, luboils are subdivided into the following classes, basing on designation:

Lubricating oils for lubrication (oiling) of friction parts;

- Hydraulic liquids for transfer of pressure and power;
- Oils for heat-exchangers, transferring heat;
- Technological oils;
- Oils for electric insulation;
- Protecting (conservation) oils;
- White oils (for medical and perfumery sectors);
- Oils of other designation.

Usually an oil serves several functions. For instance, engine oil acts as lubricant, cooling agent and cleaning agent. For each function, an oil must have corresponding complex of properties, meeting maximally specific requirements.

Properties of lubricating oils (luboils) are determined by the main grade characteristics and phenomena, happening in the oil in the process of exploitation. Exploitation characteristics of oils are connected with the following properties:

- physical and chemical properties;
- viscosity;
- lubricating properties;
- anti-oxidation properties;
- washing properties;
- anti-corrosion properties;
- composition;
- properties, determining safety of operations with the oil (transportation, storing, etc.).

By field of application, luboils are subdivided into 2 great groups:

- automotive oils (for automobiles - engine oils mainly);
- industrial oils.

Automotive oils, according to classification, applied in Russia, are subdivided into passenger car engine oils (for carburetor engines), diesel (for trucks, locomotives, marine engines), and aviation. Two first classes, in turn, are subdivided, according to State Standards (GOST), into groups depending on viscosity, and groups, depending on level of exploitation properties (GOST 17479.1-85 "Engine oils").

By method of production and composition, engine oils are subdivided into 3 groups: Mineral, Semisynthetic and Synthetic. All the engine oils are composed of base oils and specified additives, introduced into the oil composition for improving properties of the oil.

Mineral oils are based on mineral base oils, which are obtained from fuel oil – residual substance after oil refining at atmosphere pressure. The main defect of mineral oils is great dependence of their viscosity of temperature.

Synthetic oils are based on synthetic base oils, which are obtained by chemical reactions. Synthetic base oils are presented by hydrocarbons, or ethers, or mixtures of

these 2 groups of compounds. Complicity of obtaining synthetic bases results in their high cost, exceeding that of mineral bases in 4-6 times in average. Owing to homogeneity of composition, synthetic base oils have a number of advantages compared with mineral ones, first of all, better viscosity-temperature characteristics, but also have a number of defects.

Semisynthetic oils are based on mixture of synthetic and high-grade mineral base oils. Semisynthetic oils are characterised by optimum relationship price – exploitation properties.

Mineral base oils are produced by oil refineries and petroleum-oil plants, which are usually owned by large petroleum companies in Russia. Commodity oils production includes 2 stages: production of base oil and blending components of oil. Blending oils is rather simple process, which is realised both at large oil refineries and small oil-blending plants.

Oil refineries in Russia produce rather narrow range of additives, so foreign additives are often used in Russia in oil production.

Engine oils, produced in Russia, are classified in accordance with GOST 17479.1-85. The main parameters of the classification are type of engine, exploitation conditions, power augmentation of engine, in accordance with which the oils are subdivided into exploitation group (see Appendix 1), lettered by capitals:

A – for non-augmented engines;

B – for low-augmented engines;

V – for medium-augmented engines;

G – for high-augmented engines;

B – for high-augmented diesel engines, operating under heady conditions.

E – for slow diesel engines, using high-sulfurous (up to 3.5% S) fuel; oils of this group are not used for tractors and automobiles.

The second parameter is type of engine, which is labeled by figures: 1 – gasoline engine (for instance, G1), and 2 – diesel engine (for instance, G2); in case when the oil is suitable for both gasoline and diesel engine, the figure is omitted.

The Russian classification differs from international one. in Appendix 1, approximate correspondence of engine oil groups of Russian and international classifications is presented.

Also in Appendix 1, viscosity classes of engine oils in accordance with Russian standards are presented, as well as their approximate correspondence to similar classes according to international classification.

Industrial oils, depending of their field of application, are subdivided into general industrial oils and industrial oils of special purpose. General industrial oils are used for lubricating units and mechanisms of industrial equipment. Special purpose industrial oils are subdivided into transmission, hydraulic, transformer, turbine, compressor and refrigeration oils.

Notice that transmission oils are included into group of industrial oils, but these oils include transmission oils for gear and reduction gear box, designated for use in friction parts of transmission of passenger cars and trucks.

Oils of general and special purpose are subdivided into subgroups depending on viscosity according to GOST 17479.4-87 Industrial Oils.

In accordance with the luboils classification into engine oils, industrial oils and other oils (base oils, etc.), company-producers presents production statistic information, sent to Russian State Committee on Statistics or Goskomstat (named since recent time Russian Service of State Statistics or Rosstat), which issues official statistic data.

In the course of preparation of the report “Lubricants: Market Research in Russia”, InfoMine based on the adopted in Russian luboils classification, using data of Goskomstat and annual companies reports on luboils output. Besides, InfoMine experts conducted sampling interviews with specialists of the companies, producing luboils to check and correct official statistic data.

Notice that base oils are distinguished in connection with the fact that large Russian producers of the oils supply the oils to small enterprises for production of engine oils and industrial oils.

In the course of the report preparation, we also conducted work on distinguishing distinct kinds of general industrial oils, which are presented in official statistics in bulk (in sum, without breaking into kinds). This work was based on analysis of Russian domestic railage statistics, that allowed to separate, from the bulk figures on general industrial oils: metalworking fluids, electroinsulating oils and oils for chemical industry.

Notice that Russian statistics on production of engine oils does not break the oils by ways of production and viscosity classes. In this connection, we could not distinguish figures on production of synthetic and semisynthetic oils from the bulk figures, and to present distribution by viscosity classes. Analysis of the companies reports and estimates of our experts allowed to conclude that shares of synthetic and semi-synthetic oils in total Russian luboils output are rather low, around 0.1% and 4.5%, respectively, in 2006.

Our analysis of export activity of Russian enterprises in field of luboils trade was based on data of Russian State Customs Committee or RSCC (since recent time, Russian Customs Service or RCS).

2. General characteristics of market of lubricants in Russia

2.1 Production of lubricants

At present time, capacities on production of lubricants in Russia are available at 26 enterprises. Location of the main enterprises is presented in the map (Figure 1).

Of the 26 companies, 10 are large oil refineries in structure of vertically-integrated petroleum companies:

LLC «Volgogradneftepererabotka», JSC «Permnefteorgsintez», JSC «Nizhegorodnefteorgsintez» (LUKOIL);

JSC «Novokuibyshevsk plant of lubricants and additives», JSC «Angarsk petrochemical company» (Rosneft);

JSC «Slavneft-Yaroslavnefteorgsintez» (Slavneft)

JSC «Omsk oil refinery» (Gazprom-neft);

JSC «Novo-Ufimsky oil refinery», (Ufa plants)

LLC «LLC «TNK-Lubricants»» (TNK-BP);

JSC «Orsknefteorgsintez» (RussNeft);

These enterprise produced together 2762.3 kt of the products or 91% of Russian luboils in 2006. Detailed description of operation of the enterprises is presented in Section 3.

Data on Russian enterprises capacities on luboil output and actual production volumes are presented in Table 1 (for 2000-2006). As seen, the greatest capacities are available at JSC «Volgogradneftepererabotka», JSC «Permnefteorgsintez», JSC «Novo-Ufimsky oil refinery» and JSC «Orsknefteorgsintez» (above 400 kt luboils per year).

Total Russian production of luboils was 2.629,2 mln tonnes in 2000, then increased by 6.3% in 2001, but slightly decreased again in 2002 (by 1.6% compared with 2001). The setback was mainly owed by decreasing luboils output by JSC «Ufaneftekhim»; in 2003 the company took a decision to stop production of the products at all. In 2004-2005, the Russian production slightly grew (by 0.6% and 3.4% year-on-year, respectively). In 2006, Russian production of lubricants increased 9.2% y-o-y up to 3.033,6 mln t.



Figure 1. Map of location of the greatest producers of lubricants in Russia

1 - Yaroslavnfteorgsintez; 2 - Yaroslavl oil refinery im. Mendeleev; 3 - LUKOIL-Volgogradneftepererabotka; 4 - Ryazan oil refining company; 5 - LUKOIL –Nizhegorodorgsintez; 6 - Novokuibyshevsk plant of lubricants and additives; 7 - Orenburg Nefemaslozavod; 8 - Orsknefteorgsintez; 9 - Novo-Ufimsky oil refinery; 10 - Ufaneftekhim; 11 - LUKOIL –Permnefteorgsintez; 12 – Gazprom-neft-Omsk oil refinery; 13 - Angarsk Petrochemical company