

FAQ:

Re-refined Group I SN 150 fca Western Europe



Argus has launched the first re-refined spot price assessment in the world for Group I SN 150 – for Western Europe on an fca basis. This assessment based on reported deals, bids and offers and will provide the market with transparency on the price of SN 150 made from waste oils. The price is published in Argus Base Oils and Argus European Base Oils.

Why is this price needed by the market?

It will allow clients to track price competitiveness to virgin SN 150 fob prices and realise market value for sustainable base oils.

Blenders are increasing procurement of re-refined base oils to reduce the carbon footprint of finished lubricants.

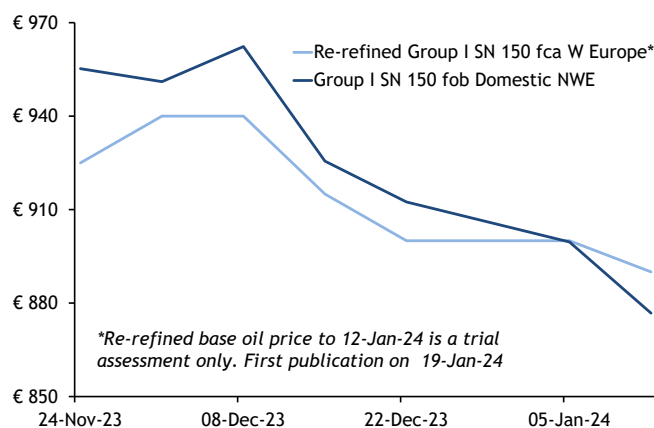
Since 2010, over 350,000 t/yr of re-refined capacity has come on line in Europe, pushing total nameplate capacity up to 640,000 t/yr. During the same period, virgin Group I nameplate capacity has fallen by 1.7mn t/yr to around 5mn t/yr.

Re-refined base oils are made from waste oils that are collected and reprocessed, while virgin base oils are made from crude feedstocks. Rising supply and demand for re-refined base oils has led to a price dislocation from virgin base oils – partly driven by crude oil feedstock fundamentals and refinery economics.

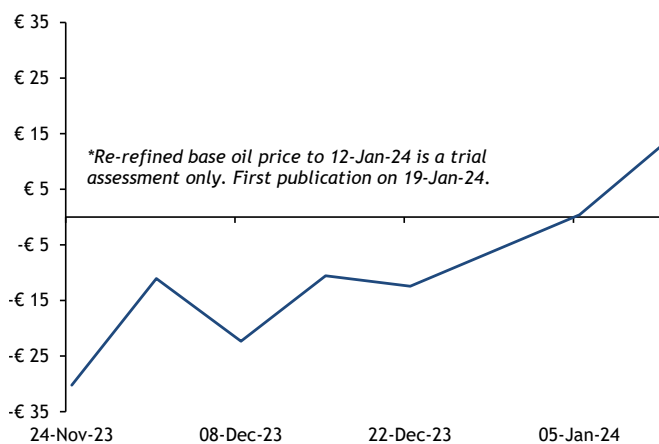
Re-refined base oils had often priced at a discount to virgin grades, but the rising need for more sustainable options has led to that discount narrowing, with grades sometimes achieving a premium.

Argus carried out a trial Re-refined SN 150 fca Western Europe assessment between 24 November 23 and 12 January 2024, when the price moved from a €30/t discount to a premium of €13/t – virgin Group I prices fell faster in an oversupplied market and because of weaker demand. Re-refined Group I prices held firmer amid more limited spot availability relative to virgin grades.

Re-refined vs. virgin SN 150 comparison



Re-refined SN 150 moves to a premium to virgin SN 150



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Regulation is driving demand for re-refined base oils

The EU 'Green Deal' was approved in 2020, setting out initiatives by the European Commission with the overarching aim of carbon neutrality by 2050. Re-refined base oils are key to achieving this, with expectations that waste collection will increase by 70pc by 2050, demonstrating that better use of waste oils can reduce the overall carbon footprint of finished lubricants.

To track the decarbonisation efforts of the base oils and lubricants industry, the Union of the European Lubricants Industry (UEIL) and the Technical Association of the European Lubricants Industry (ATIEL) have developed a methodology to calculate the environmental impact across the entire industry. The new framework includes a lifecycle impact assessment, measuring how much the emissions released from production would contribute to global warming over a 100 years. The methodology was reviewed by a third party and put in place in late November.

Countries might look to set out their own mandates to increase the volume of re-refined base oil blending and waste collection. The Turkish government updated legislation in January 2023 requiring lubricant blenders to use a growing share of re-refined base oils — starting at 2pc in 2023, rising to 4pc in 2024 and 6pc in 2025. It is likely that blenders will need to supplement domestic Group II production from Tayras with imports to meet the rising requirements.

Regulation and industry efforts to track and reduce the carbon footprint of lubricants will drive demand for re-refined base oils in the coming years.

How does Argus assess re-refined Group I SN 150 fca Western Europe

The Group I SN 150 fca Western Europe price is assessed weekly and based on deals, bids and offers reported by market participants. Volumes traded outside Western Europe can be netted back and included if they align with the methodology. The price is assessed and published in €/t with the \$/t conversion also published.

Methodology: Re-refined SN 150 fca Western Europe

Re-refined solvent neutral 150 (SN 150) base oil made from waste oil

- Basis: fca western Europe
- Unit: euros/metric tonne, with conversion into US dollars/metric tonne
- Timing: delivered 1-30 days forward from date of assessment
- Volume minimum: 20t
- Timestamp: 4:30pm London time on Thursday

How can this price be used by the market?

Contracts: companies can use this price in term contracts, spot contracts and in contract negotiations with counterparties.

Optimisation: blenders can use the price to determine the cost benefit of blending re-refined base oils to meet their sustainability targets. Producers, traders and blenders can use this price to identify shortages or oversupply to manage output and procurement.

Analysis: the price can be used to monitor the price differential to virgin Group I SN 150 and as an input to price forecasts. Re-refined Group I SN 150 Western Europe can also be used as a comparison to North America re-refined posted prices that are published in *Argus* Base Oil reports.

This price is published in the weekly Argus Base Oils and European Base Oils services. You can keep track of reflective global base oil spot prices, market commentary, news and analysis for timely decision making. **Learn more** or email oil-products@argusmedia.com for more information.

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