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STRATEGY
OILS & LUBRICANTS

Lubrication and friction

Lubrication and friction are not words that belong together, either physically or politically. So how is the sector prepared for Brexit?



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blender of products, to become a national importer and blender of components or even importer of finished lubricants.

National blenders in the UK do still exist. But their numbers have significantly declined since the last century. Back then, the North-West of England alone boasted 250 local blenders. Today, additives, as well as base oils, are increasingly imported. Clearly, developing a national lubricants market to be more self-sufficient over the short-term to address a lack of an agreement on terms of trade between the UK and EU, presents a major issue.

SHIFTING BOUNDARIES

Developing a more autonomous market for automotive production also presents a major challenge. The prospect of the introduction of tariffs and a lack of free movement in goods has led to organisations such as the IAAF and SMMT campaigning for a deal with the EU that ensures 'frictionless trade with our most important market' (Chief Executive, SMMT).

Whilst they remain hopeful, some manufacturers operating in the UK automotive sector have already begun to look at EU mainland-based plants to continue to supply the European market. Jaguar Land-Rover announced it would move production of its Discovery model to Slovakia in June. The concern is that lubricant 'initial fill' suppliers such as Fuchs, Shell or Exxon-Mobil may follow the switch in automotive production to outside the UK. This would mean either switching production of finished lubricants to mainland Europe or

ensuring UK finished lubricants would need to continue to be guaranteed supply to OEM partners across UK and EU borders.

For service fill partners there is more flexibility. The siting for the supply of product is less reliant on a single point of operation, so these are less likely to be affected by Brexit in the short term. But in the longer term, if more automotive and lubricants manufacturers move to Europe, will the UK market get left behind? Service full partners could suffer, as the pace of innovation in engine design, and the subsequent lubricant requirements, continues to evolve to meet new emission and performance targets.

TIME TO STOCKPILE?

Until the deal has been passed (or rejected) and the next steps made clear, current advice from the United Kingdom Lubricants Association (UKLA) is for lubricant companies and the aftermarket to develop but not yet implement contingency

plans for a 'no deal' situation. Companies should also consider their level of stock-holding, especially over the short-term. The message is to be prepared for whatever happens.

NO PRECEDENT

Brexit is a huge task. It has presented questions for the EU itself, divided between securing its own trade future whilst discouraging other discontented member states who may be thinking about leaving. But despite the difficulties, politicians must find a route forward for the benefit of all our economies, and the people of both the UK and Europe.

At the Verification of Lubricant Specifications (VLS), as an independent industry body, we will continue to support our members in the UK and provide as clear guidance as possible during the transition period and beyond to ensure a successful future for the lubricants industry. 

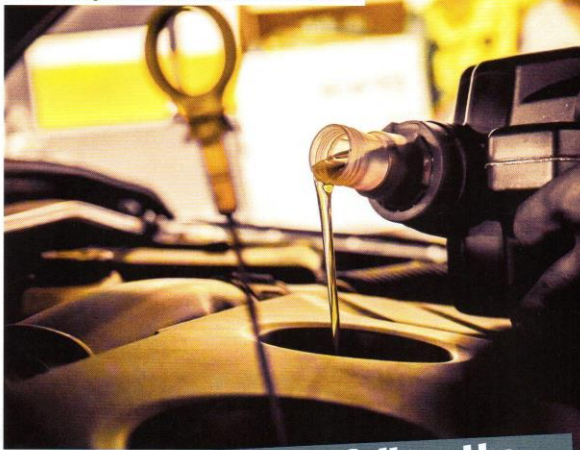
* David Wright

After nearly two years of negotiation it is not certain if the UK will leave the EU on March 29th, and on what basis. The question for us is how will Brexit affect the aftermarket and particularly the supply of finished lubricants between the UK and the EU?

Like many industry sectors, the UK lubricants market is heavily tied to the EU. Today base oil, additives and even finished lubricants move freely between the EU and the UK. Many companies are based in Europe and export products into the UK. This has allowed lubricant manufacturers to gain economies of scale and improve availability in the absence of any significant market growth. Although there are some areas of growth in high quality, synthetic and higher margin products, the UK, and Europe overall, remains a low growth, mature market for lubricants.

The UK currently depends on Europe for lubricant manufacture as it is not self-sufficient in superior quality base oil, so called Group II, or additive components needed for today's demanding automotive vehicles. Over recent years these have been imported into the UK as the country has moved from being a local manufacturer and

Lube industry wants slick Brexit, but fears 'no deal'



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