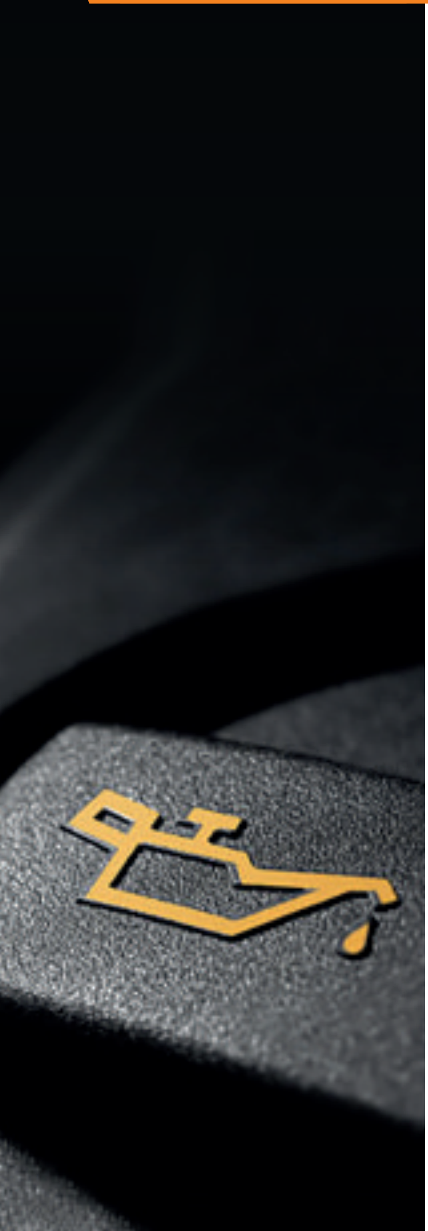
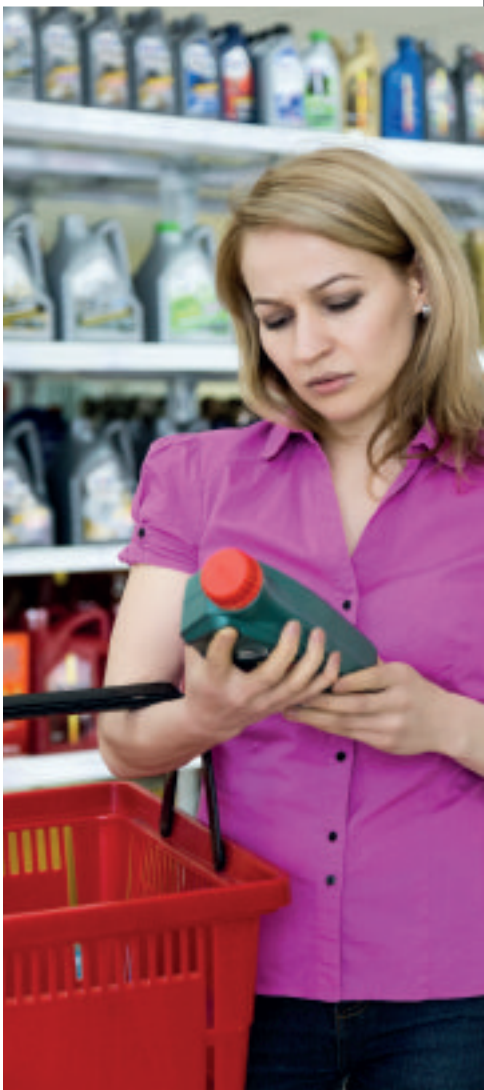
EXCLUSIVE INTERVIEW with FACTS

INTERVIEW: DAVID WRIGHT, DIRECTOR GENERAL, UNITED KINGDOM LUBRICANTS ASSOCIATION

David Wright has been involved with the United Kingdom Lubricants Association for four years. He previously worked as a Regional Manager for fuels and lubricants for ExxonMobil and was the Chief Executive of the Chartered Institute of Educational Assessors. David is also currently the Company Secretary for Verification of Lubricant Specifications (VLS), a subsidiary of the UKLA.





What is the current state of the European oils and lubricants market?

European standards for lubrication tend to match the needs of the European market which is based on the requirements from the major motor manufacturers or OEMs, these in turn follow engineering developments. The overall trend in the automotive sector is for smaller engines with smaller sumps operating at higher temperatures to produce a greater power output. That is true for both the commercial sector as well as the passenger car sector, and that brings with it technological challenges in terms of what the lubricants are expected to do.

For example, on one side the regulators demand lower emissions and improved environmental performance, whereas consumers, commercial truck fleet manufactures and drivers want fuel economy, vehicle durability, and the same performance from their vehicles. Trying to bring those two sometimes quite opposing views together creates problems if people do not want to give up the performance in their vehicles for greater environmental benefits of lower emissions.

Regulators are increasingly insisting on having lower and lower emission standards for harmful pollutants such as NOx (Nitrogen Oxides) and CO_2. Consequently, OEMs are pressurised by the market and regulators for ever-improving products which could lead to the recent 'Dieselgate' scandal if product innovation fails to keep step with regulatory requirements.

So, although the commercial sector is treated slightly differently in terms of the standards it is expected to achieve in terms of regulatory emissions, there are still significant issues in moving towards lower emissions over time. Overall, the industry is still trending towards reducing NOx and other harmful emissions, through the introduction of exhaust after-treatment devices like diesel particulate filters and catalytic converters and, over time, moving more towards greater use of hybrid engines.

How has the last year been for the UK oils and lubricants market?

Despites the issues discussed, the UK lubricant market had a good year in 2017. Confidence has returned to the marketplace, and in terms of the UK, we are the second largest marketplace throughout Europe behind Germany. Over recent years, UKLA members such as lubricant manufacturers and blenders, have treated the European market as a truly single market. So, although the UK is the second largest market, many of our members consolidate their operations in mainland Europe, for example in Rotterdam and Amsterdam, and then service the UK's requirements for lubrication from these locations.

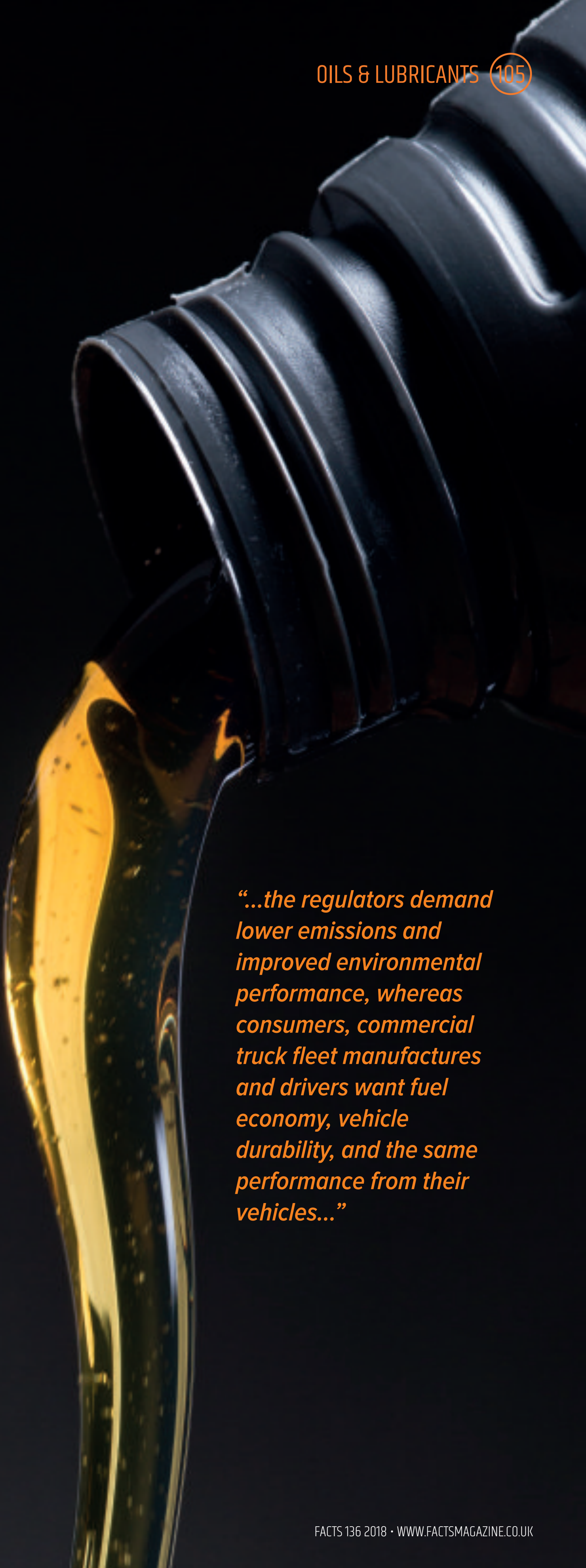
What effect do you think Brexit will have on the lubrication industry?

Brexit will have a monumental impact on the sector if no trade deal is made. All our members are adamantly hoping that the UK Government will achieve continued access to the European Single Market. This is essential for securing jobs and investment in the industry going forward. Over the past five years the sector has undergone a period of significant instability with the collapse in the oil price in falling to under $50 a barrel from over $100 a barrel, and the impact of the UK's decision to leave the European Union in 2016. Due to this period of great uncertainty we saw investment in the sector put on hold, and some sector workers in the refining and exploration industry were let go. For example, in the North Sea where the average economic barrel cost is about $65/barrel, significant falls to under $50 a barrel have meant that it was uneconomic to continue operations over the short-term.

The other issue we had immediately after Brexit was the exchange rate crash. The pound was down more than 10% at $1.33, as opposed to $1.50 immediately following the closure of polling stations. As oil is traded in US dollars, that made it more expensive for our members to buy oil to turn into lubricants. Therefore, we saw an increase in price and a lack of confidence in the marketplace caused by a lower price per barrel of oil. Since then, the price of oil has gone back up to around $70/barrel in late January, and analysts are expecting this overall trend to continue. That means our members are more willing to take a longer-term view and invest in operations, service standards and technology to be able to support their customers more effectively over time which is positive news for both the industry and for customers as well.

Look out for the second part of this interview in an upcoming edition of *FACTS*.

For more information: www.ukla.org.uk



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