

What the global energy crisis means for the US base oils market

ILMA Engage| 23 April 2026

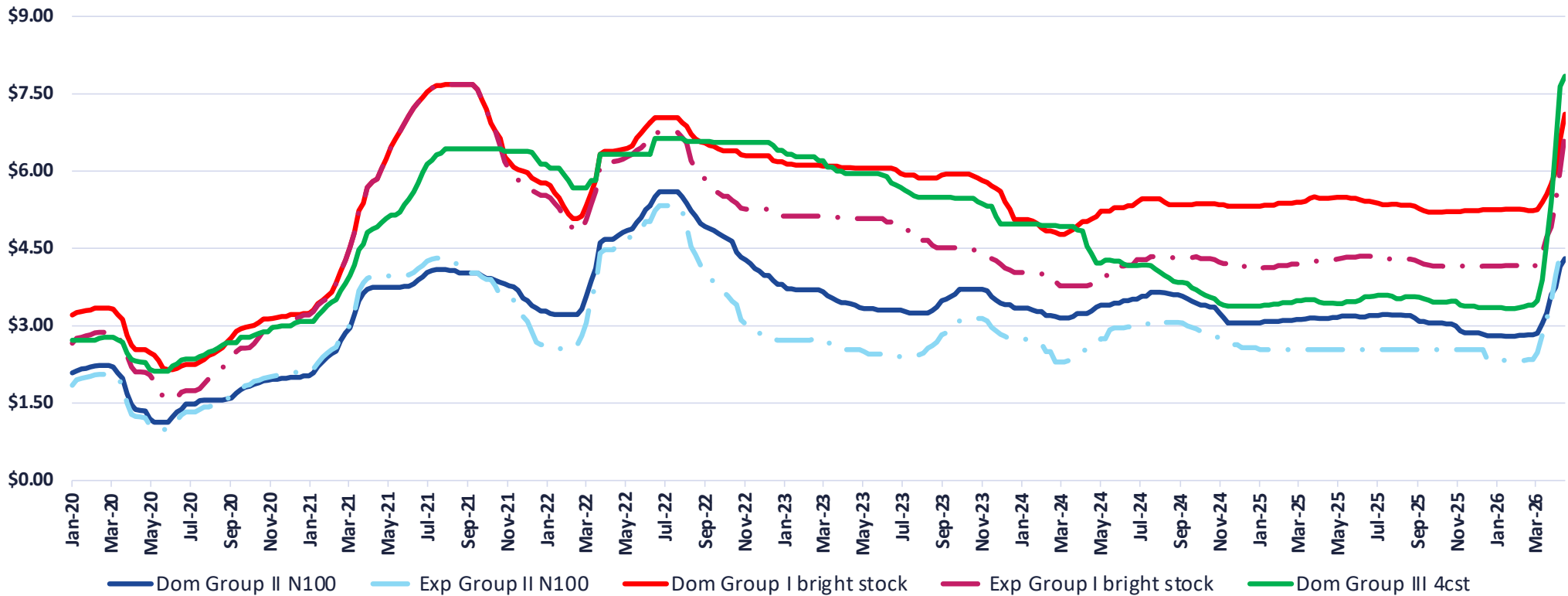
John Dietrich – Deputy Global Editor, Base Oils, Argus Media

| Agenda

- **US production: All gallons are strategic, Group III especially**
- **Middle East conflict: Repercussions on oil, US base oil markets**
- **Blenders' POV: Managing lubricant increases with feedstocks**
- **What comes next: Looking around the corners we can**

Group III prices at record highs, Group I/II nearly there

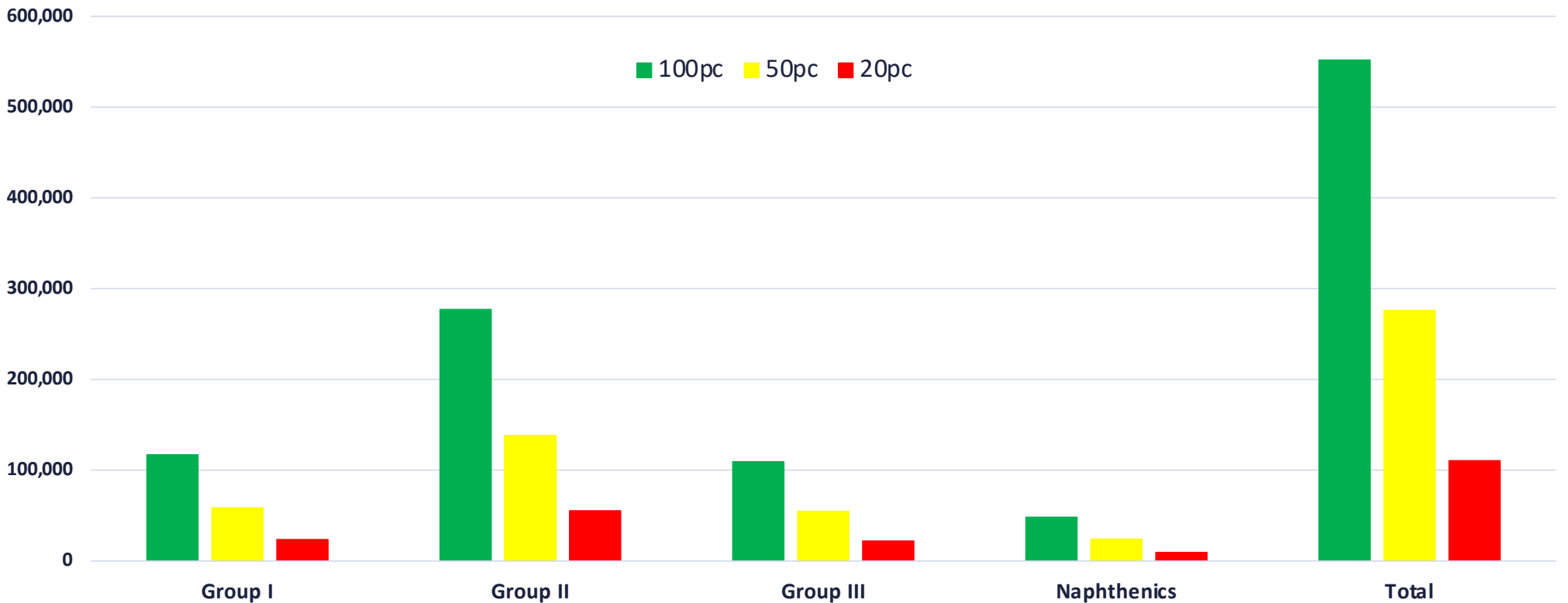
Argus US base oil prices (\$/USG)



Group II highs were set summer 2022, Group I highs were set summer 2021

Crude shortages in Asia cause base oil shortages in Asia

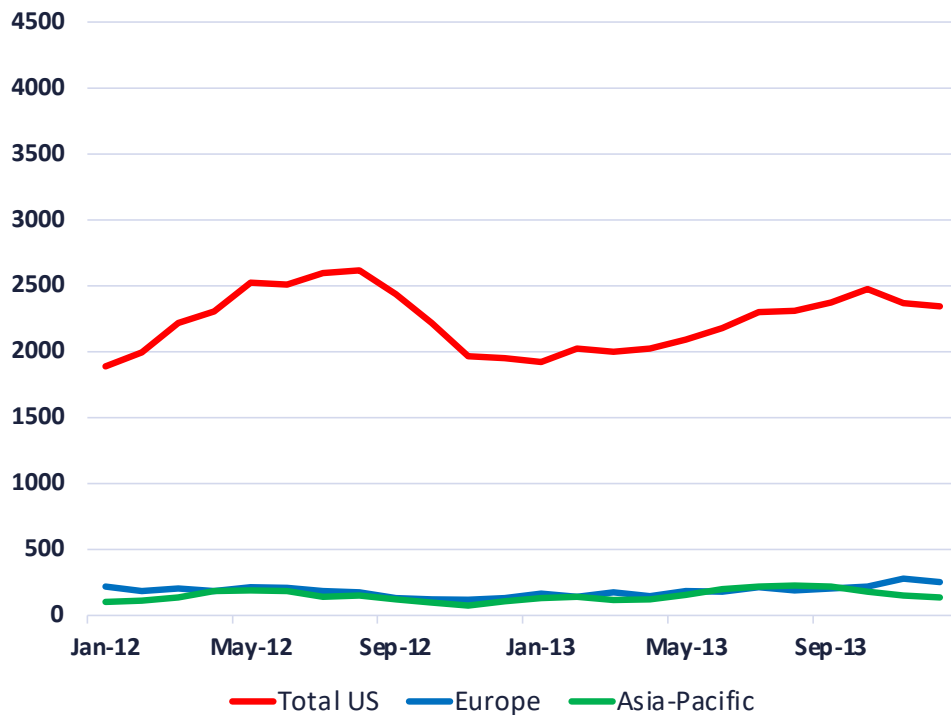
Asia-Pacific naphthenic capacity (bl/day)



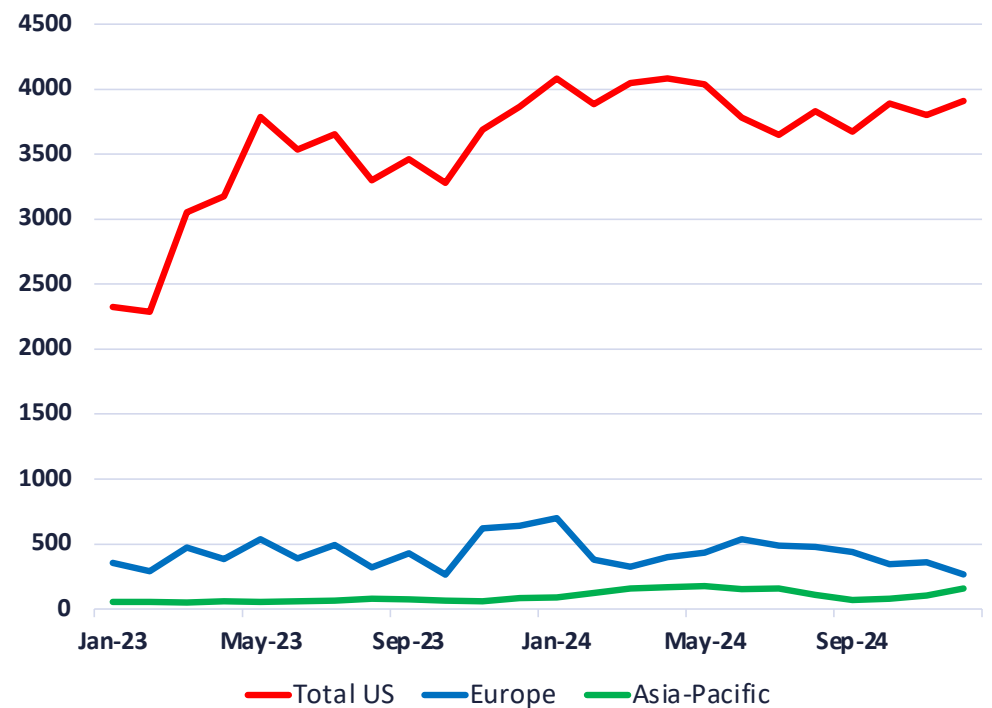
Group II losses are biggest by volume, Group III by strategic value

Asian markets are desperate for US Group II

EIA 3-month exports '12-13



EIA 3-month exports '23-24



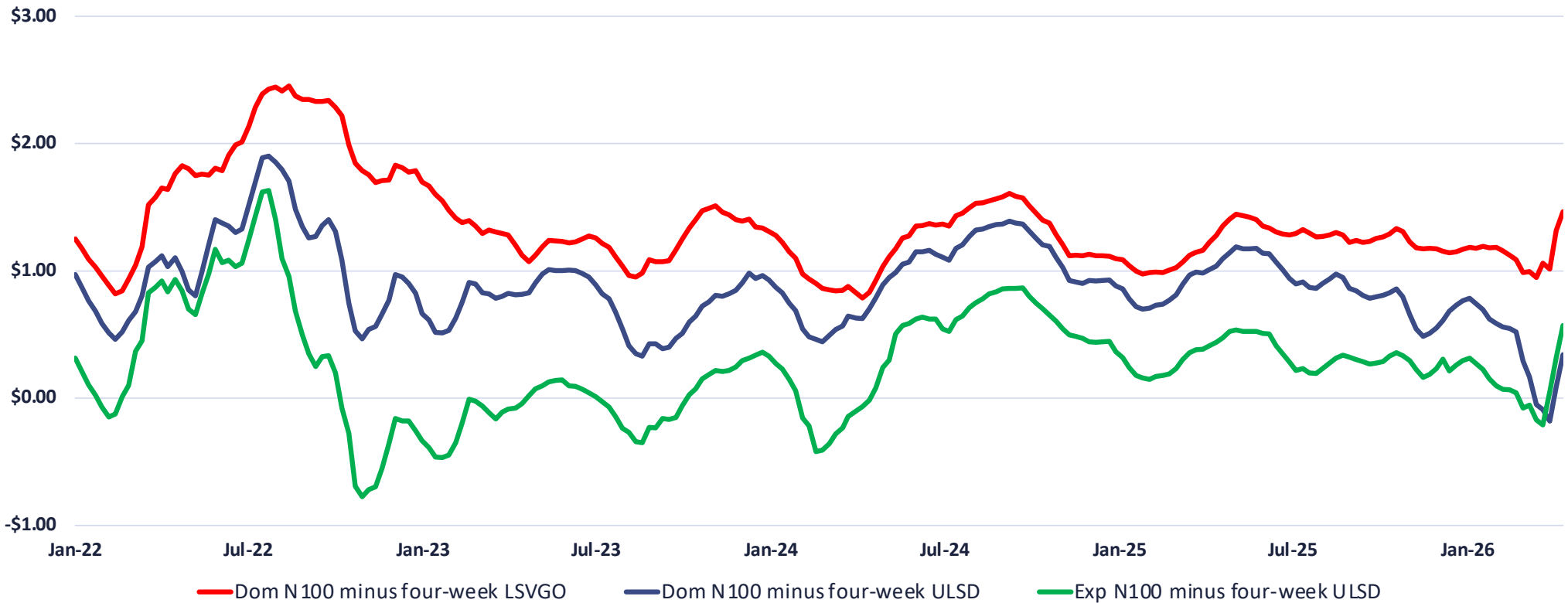
Asian markets relying on US-produced Group II has never been seen

All base oil gallons are now strategic, not commodities

- **Major US Group II/III refiners** – Baytown/Baton Rouge, Pascagoula, Westlake, Port Arthur – **are global, not regional suppliers** of Group II
- **All are also fuels refiners first**, which means there is pressure to maximize fuels output (distillates especially) at **40-year margin highs**
- Shortage of global Group II also means there is pressure to keep Group II output steady, which curtails ability to shift to Group III
- **Group I refiners** are less global in scope, but **are also starting to feel pressure to export** as many gallons as possible to Asia/Europe

US base oil production contending with spot fuels production

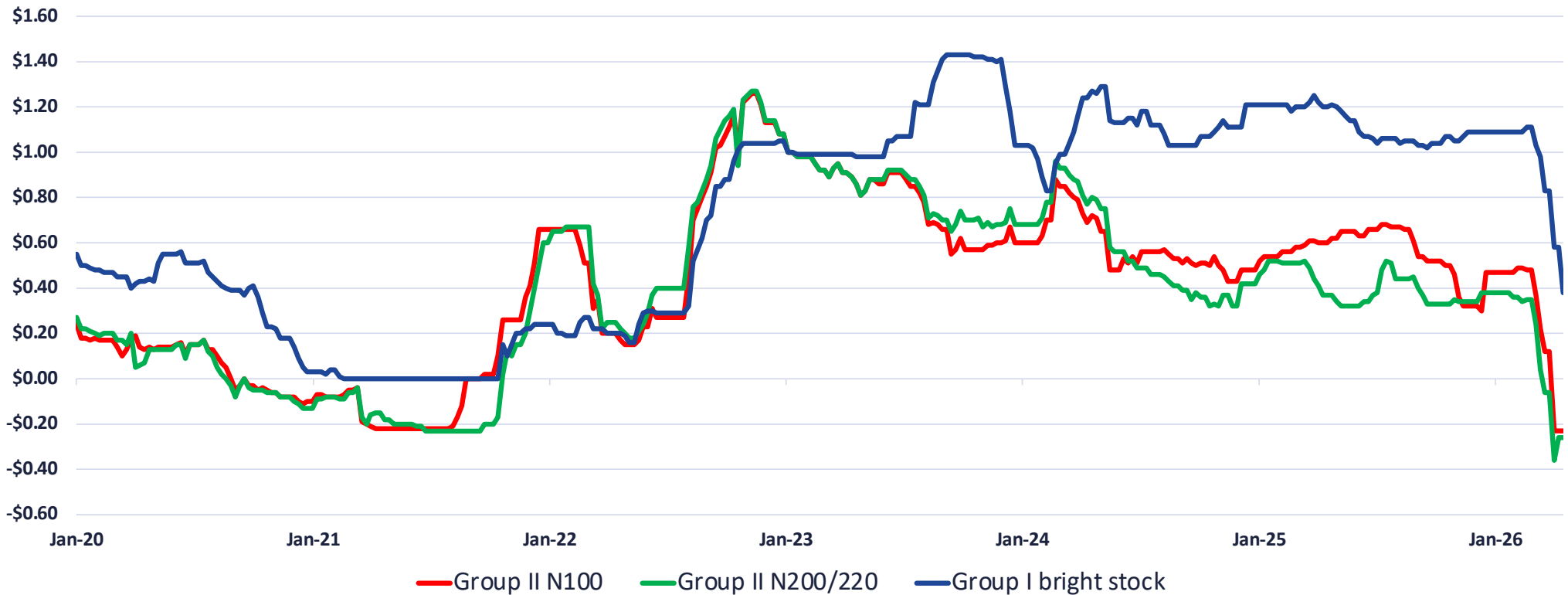
Argus spot N100 premiums (\$/USG)



Fuel exports to Europe/Asia are spot only, limited strategic value vs base oil

US blenders are now competing with blenders overseas

Argus spot domestic minus spot export (\$/USG)



When everywhere needs volume, refiners will prioritize the safest highest price

Shortages of base oil will mean shortages of lubricants

Companies	Number of announcement	Increase %	Lag (days)
Tier 1	1-2	Up 15-30%	15-28
Tier 2	1-2	Up 12-35%	12-32
Tier 3	1-3	Up 12-25%	1-25

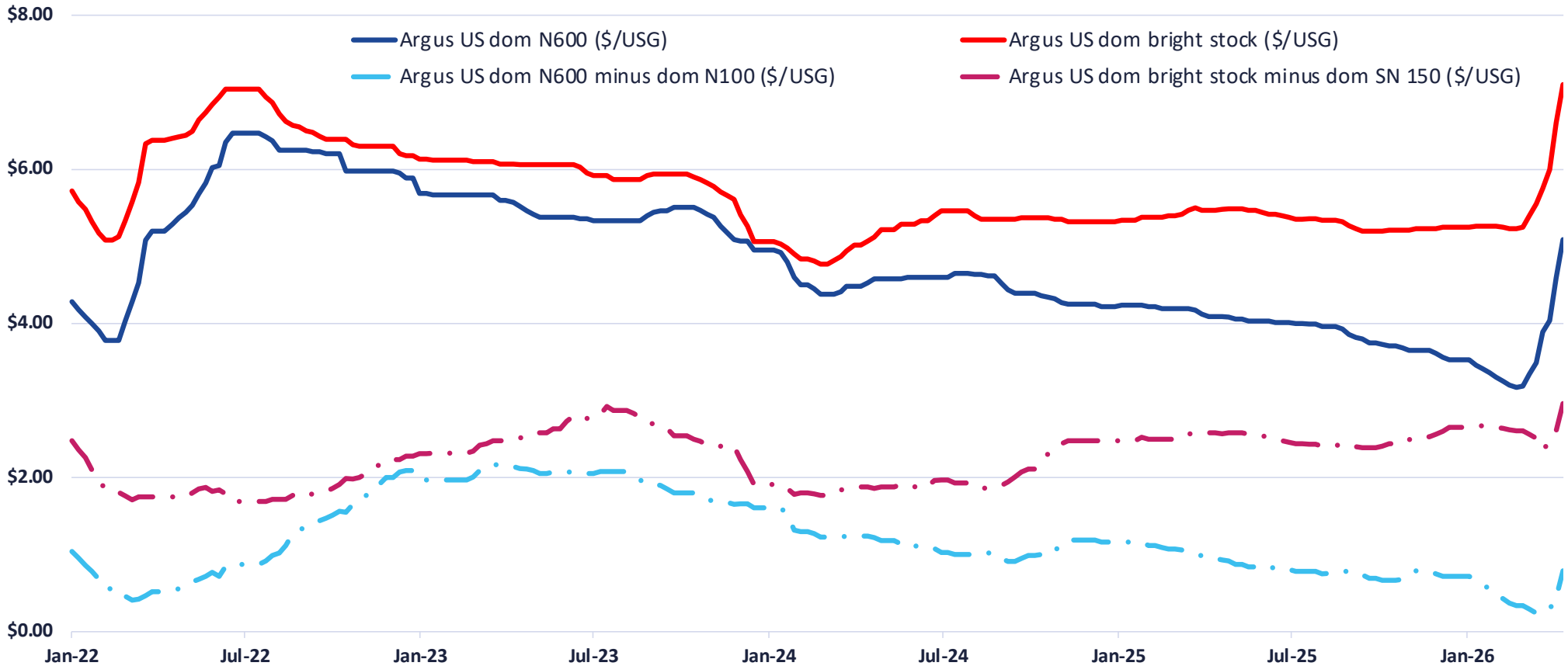
Source: Jobbers World

- US lubricants market is **structurally oversupplied** – production capacity has been largely steady, and consumers need fewer gallons of synthetics
- **Lag times** for lubricant increases **are shorter** and fuel surcharges are more common in order **to compensate for cost volatility**
- Long-time lack of inventories is forcing lubricant buyers to scramble

Group I will tighten because of new crude slates, GII deficits

- **Asian refiners are missing around 8mn b/d** of medium-sour crude from sources in the Mideast Gulf
- This crude is well-calibrated for Asian-Pacific economy that is heavier on distillates/diesel and less reliant on gasoline
- Short-term “replacement” crude is tilted toward light-sweet crude, which will keep Asian refinery margins on distillates elevated
- Also means that **Asian base oil production will shift back to lighter base oils** after several years of tilting heavier

Recent shift toward heavy base oils had narrowed premiums



More heavy crude flowing into Asian region was easing high-vis tightness

US manufacturing is struggling to absorb pace of increases

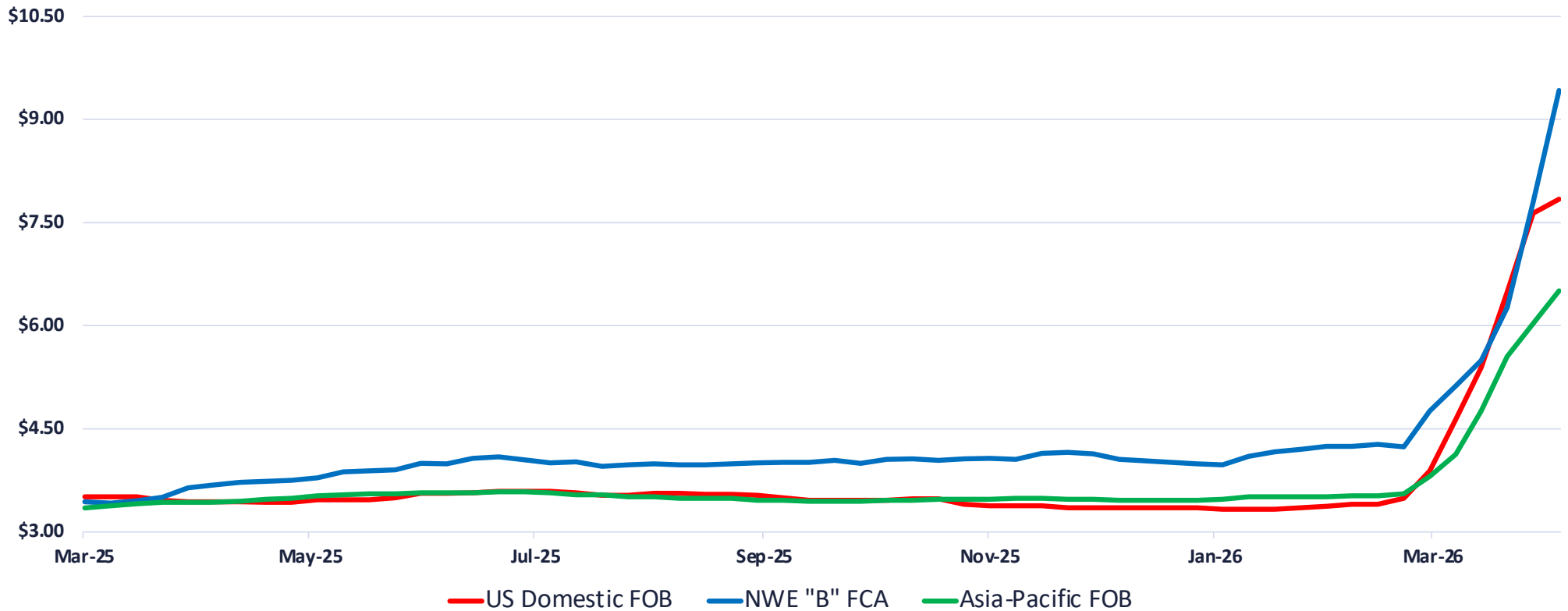
- US auto production and vehicle sales experiencing long-term decline
- US industrial activity as measured by ISM's PMI contracted from Mar to Dec 2025, before moving to expansion in Jan-Feb
- Yield rates remaining elevated makes financing debt more difficult

US 10-year Treasury yield rate



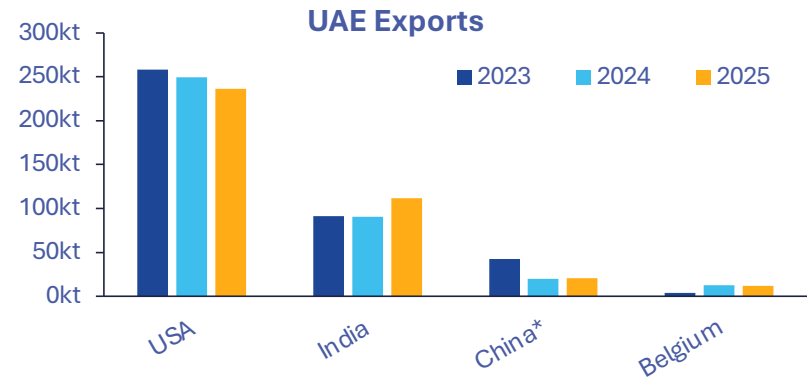
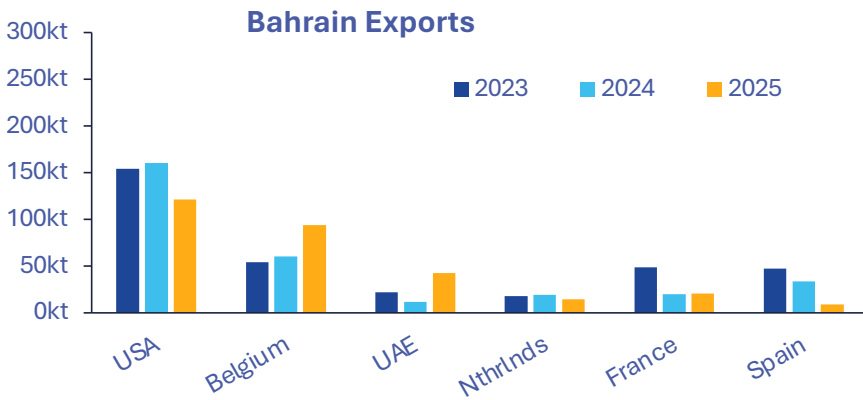
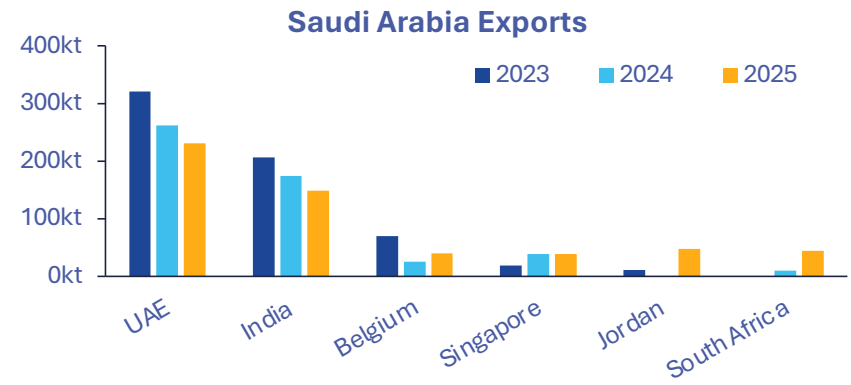
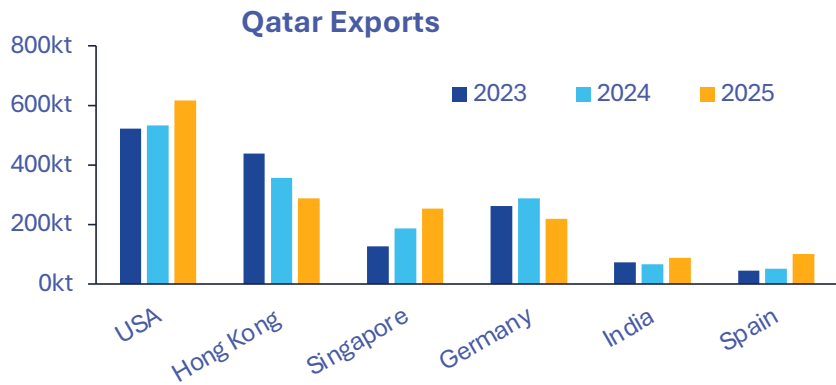
Global Group III is now going to highest bidder, surplus gone

Argus global Group III 4cst assessments (\$/USG)



US now competing with Europe for any potential Group III surplus from Korea

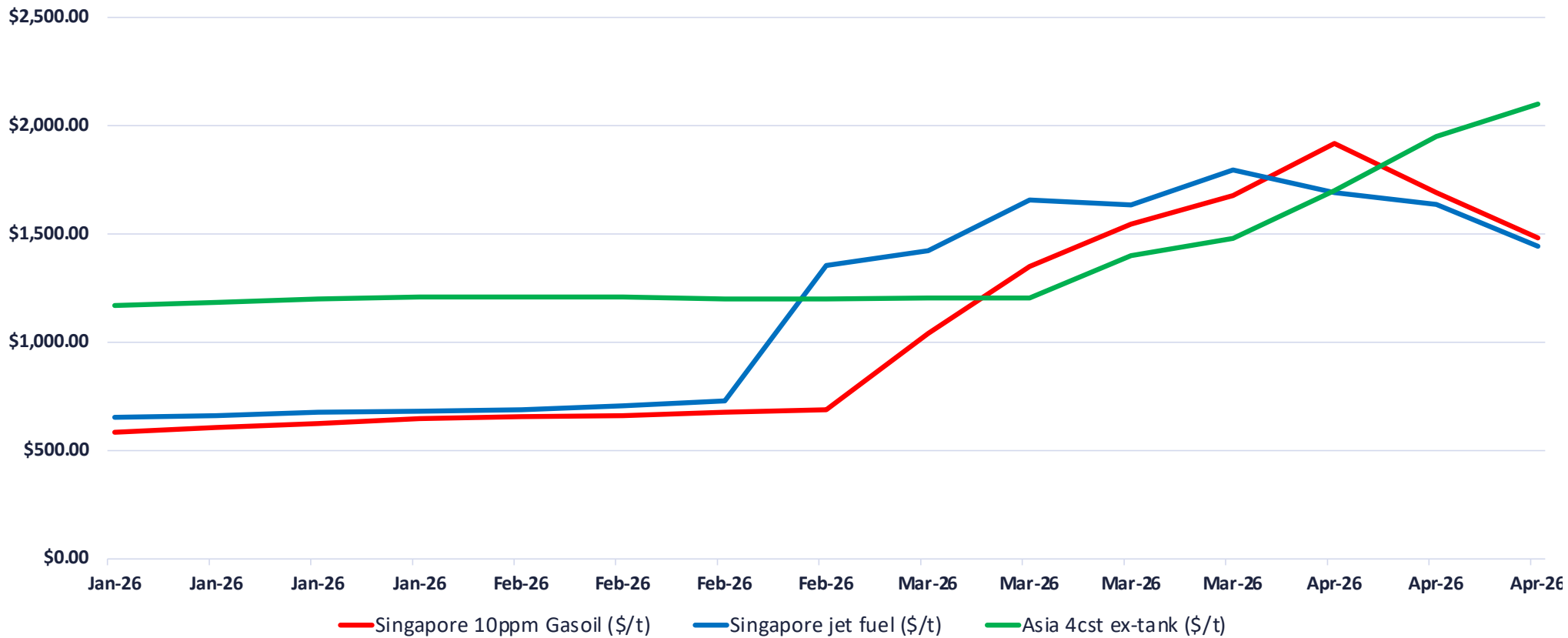
US Group III import availability collapsing with Iran war



Qatar (GTL), Bahrain (Bapbase) shut, UAE (Adbase) slowed

Source: Kpler, GTT
*GTT Data

Korean producers are focused on distillates, not Group III

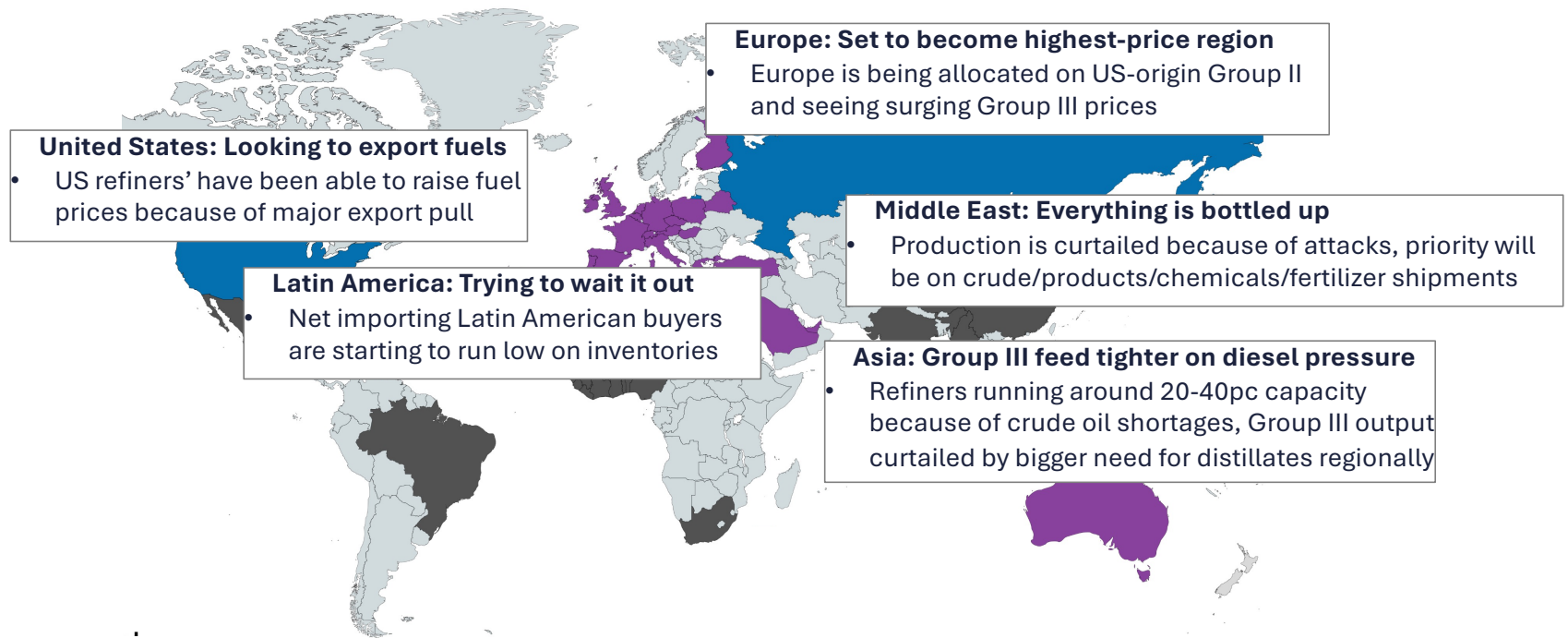


Asian economy must replenish diesel/jet fuel before it can max produce Group III

All Group III gallons are now of extreme strategic importance

- **Mideast Gulf-origin Group III** is expected to run out by May at the earliest, June at the latest, and **none is actively on the water**
- **South Korean refiners are** struggling with crude intake, refinery level is under immense pressure to **maximize distillates over base oil**
- Blenders are facing pressure to substitute Group II+ light grades (especially re-refined) for non-Dexos blends
- Domestic refiners will have fully approved Group III for longer into the conflict than majority of non-refiners, even without increasing output

Everything is connected everywhere when it comes to base oils

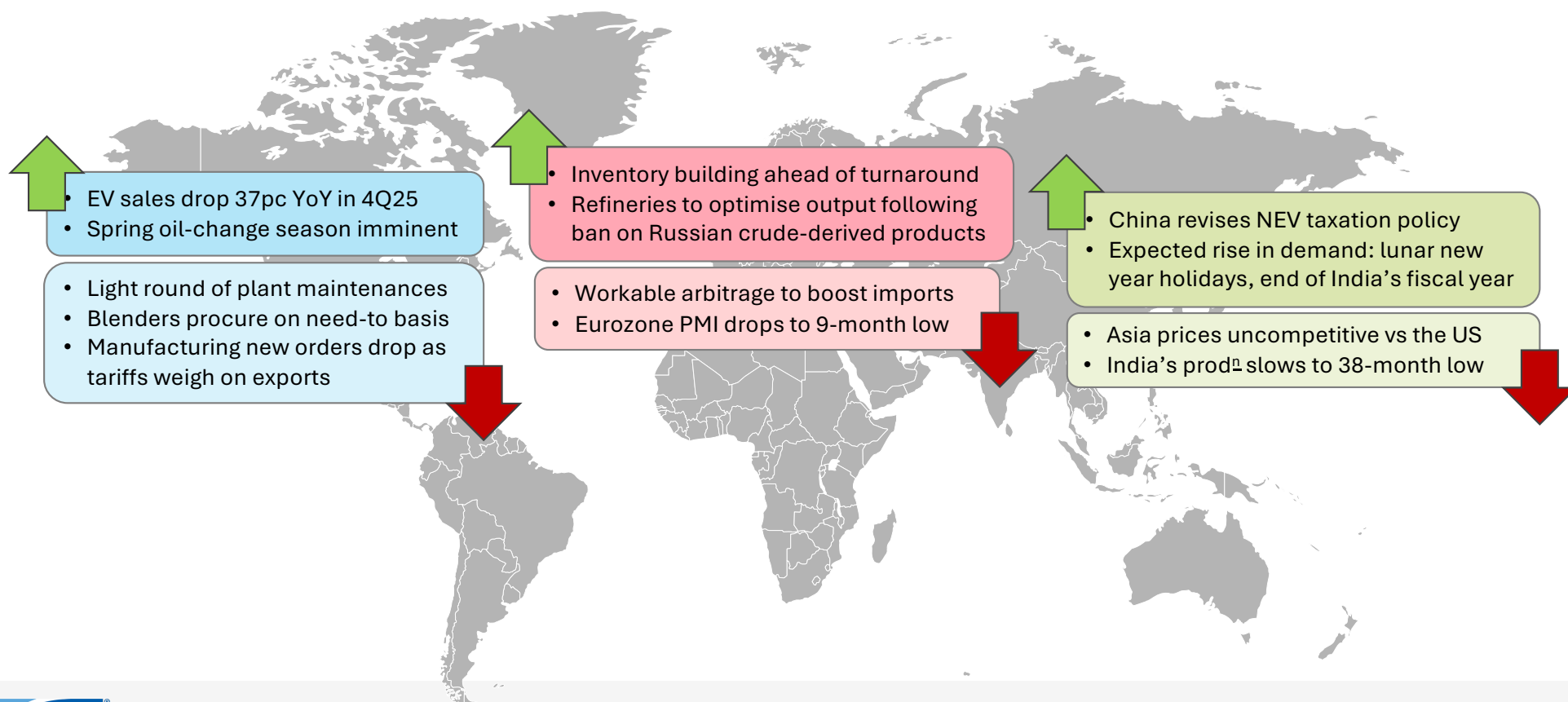


*based on estimated trade volume, Argus market survey 2024-2025

| What can be expected once vessel flows return to normal

- **Any deal** signed by US/Israel/Iran **could be viewed more cautiously** than any before; market players might have to **price in resultant risk**
- Energy markets could respond in various places by increasing capacity of non-fossil fuels (EVs) and diversifying sources of fossil fuels
- Might Iran/China/EU look at threatening the Petro-Dollar system? Could that lead to US dollar losing reserve currency status?
- Credit limits/financial instruments could start to price in more risk to everything energy-related, slowing economic movement

Light round of plant maintenances to counter rise in seasonal demand



Conclusions

- Until vessel insurance returns, the Strait of Hormuz is functionally closed
- While the strait remains closed, all base oil gallons are strategic
- Group III/full-synthetic markets will be tighter into at least mid-2027
- The next “New Normal” will not be a return to pre-Hormuz status quo

Argus Base Oils: global markets, regional price discovery

The collage displays the following reports:

- Argus Base Oils:** Overview page with a table of prices for various grades (e.g., 300, 350, 400) across different regions.
- Argus Americas Base Oils:** Market commentary discussing US base oil market activity and price trends.
- Argus European Base Oils:** Market commentary discussing European base oil market activity and price trends.
- Argus China Base Oils:** Market commentary in Chinese discussing the Chinese base oil market and price trends.

Weekly spot price reports with global/regional options

The report cover includes the following sections:

- Overview:** A world map highlighting global markets.
- Regional Outlooks:**
 - Americas:** Focuses on US supply stability and demand for motor oil.
 - Europe:** Discusses seasonal demand and competitive pricing.
 - Asia Pacific:** Highlights strong supply availability and demand for industrial oils.
- Short term price drivers:** A table listing key factors like production, demand, and supply.
- Support:** A table listing factors that support higher prices, such as production cuts and demand growth.
- Pressure:** A table listing factors that could pressure prices, such as working inventories and competitive pricing.

Monthly global price forecast (+ yearly 5-year outlook)



Argus Base Oils: 3 key differentiators

Pricing Methodology

Pricing methodology designed for an **illiquid market**

International Team

International team tasked for a **globalised market**

Supplementary data

Complete pricing visibility across the **entire barrel**

Q&A

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