



human energy®

# Pricing Support Deck

September 2020



# Factors Affecting Finished Lubricant Cost

To understand the reasons for the rise in cost of finished lubricants, it's first important to understand the components that make up a finished lubricant product.

A finished lubricant product is made up of the following raw materials and components:



## BASE OILS

*“Basic lubricant building block.”*

*Makes up 80-99% of finished product*

### *Factors Affecting Cost of Bases Oils*

- Crude oil prices which determine the feedstock costs for base oils
- Competition for feedstock availability for other uses
- Supply/demand balance or capacity versus consumption

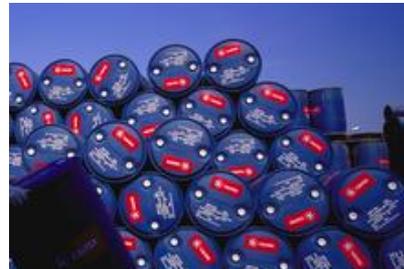


## ADDITIVES

*“Used to enhance the performance of an oil”*

### *Factors Affecting Cost of Additives*

- Crude oil prices, as many additives are derivatives of petrochemicals
- Base oil prices, as most additives contain base oil
- Supply/demand balance or capacity versus consumption



## PACKAGING

*“Ensures safe handling and consumer convenience”*

### *Factors Affecting Cost of Packaging*

- Crude oil prices, as plastics are derivatives of petrochemicals
- Steel costs driven by ore costs and milling capacity
- Supply/demand balance or capacity versus consumption



## OTHER COMPONENTS

- Import Duties
- Freight Cost
- Manufacturing Cost

# Single Biggest Finished Lubricant Cost Driver

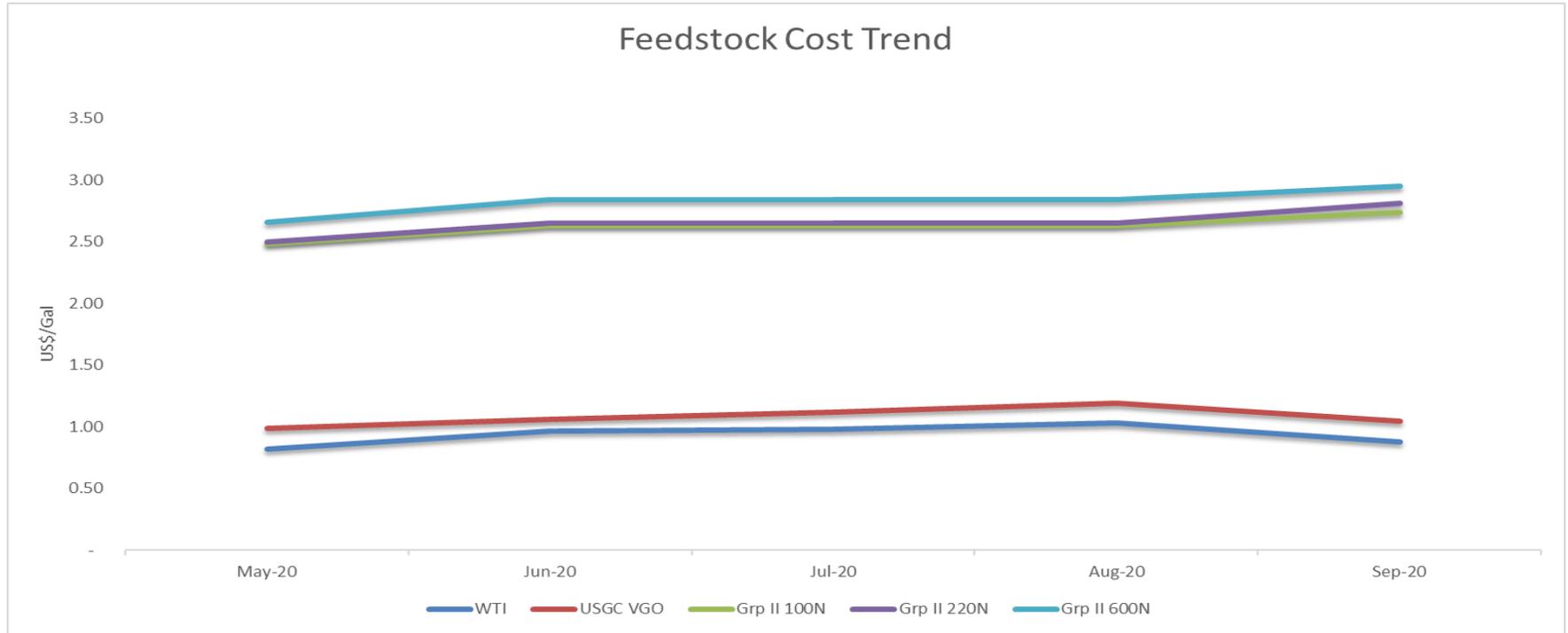
## Base Oil

- The biggest component affecting the price of a finished lubricant is the cost of base oil.
- Base oil makes up 80-99% of the total finished lubricant by volume.
- Base oil is also used in the manufacture of lubricant additives and quite often an increase in the cost of base oil will also lead to an increase in the cost of additives.



# Base Oil and Feedstock Prices

## Group II Base Oil Trend

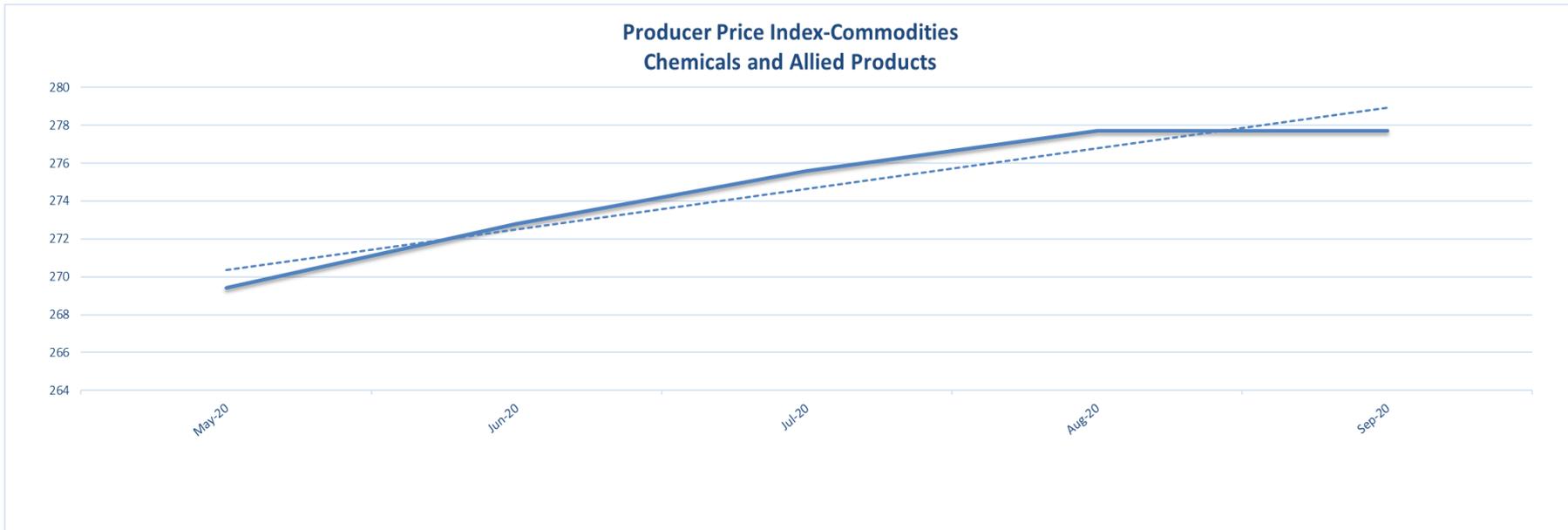


- USGC G2 average postings (Motiva, Excel Paralubes and Chevron)
- WTI Crude and USGC Low Sulphur VGO increased by 7% since May 2020.
- Group II Base Oil cost up 10% during the same period.



# Other Finished Lubricant Cost Component Additives

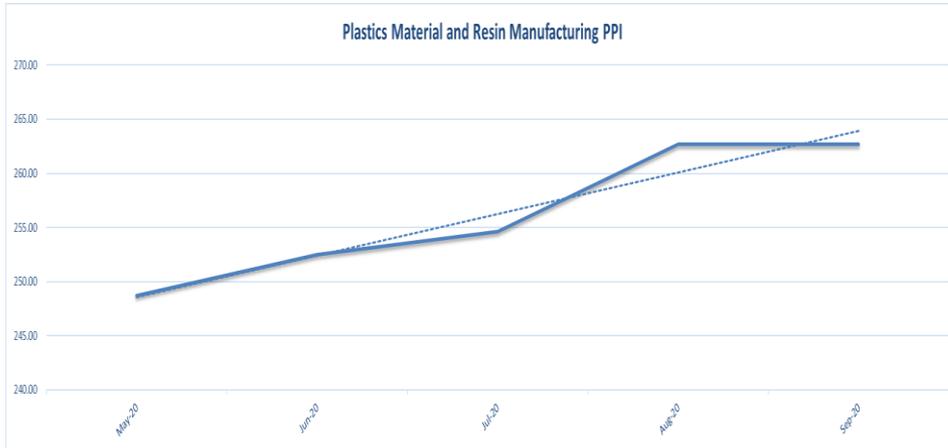
- The index below (PPI for Chemicals and Allied Products) was used as a representation for additives components.
- The data indicate an increase of 3% since May 2020.



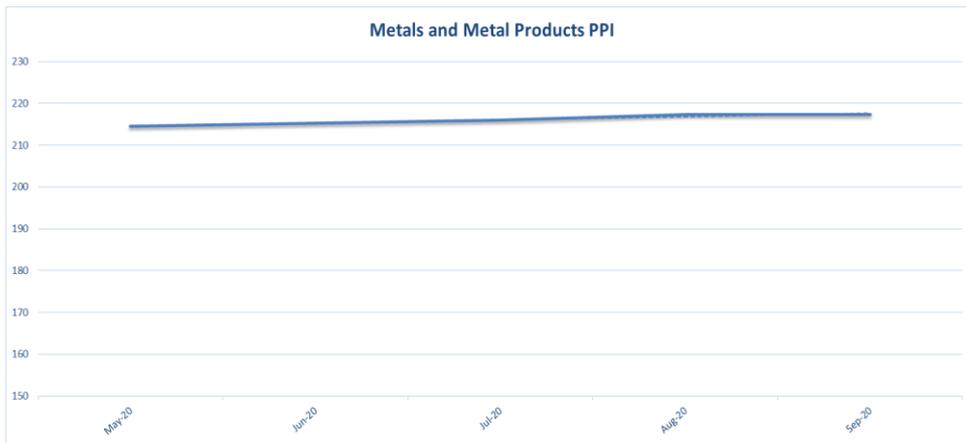
Source: United States Department of Labor, Bureau of Labor Statistics



# Other Finished Lubricant Cost Component Packaging Cost Trend



- Plastics Material and Resin Manufacturing PPI increased 6% since May 2020.



- Metals and Metal Products PPI increased 1% over the last four months.

Source: United States Department of Labor, Bureau of Labor Statistics



# General Overview

Upward trend in all cost components. Recent increase in base oil costs driven by supply constraints related to the hurricane season.



## BASE OILS

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**Makes up 80-99% of finished product**



## ADDITIVES

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## PACKAGING

*“Ensures safe handling and consumer convenience”*



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