



US Price Increase & Market Conditions

April 2022

Executive Messaging

1. Shell seeks to be **competitively priced** across our finished lubricants portfolio. We continuously evaluate many factors and considerations in making tactical pricing decisions. These business factors, and Shell's response to them, are part of our internal business strategy. These considerations consist of, but are not limited to: Volume and Market Share; Brand Strategy; Investments in Technology, Research and Promotional Activity; Raw Material and Operating Costs; Market Dynamics; Foreign Exchange Rates; and OEM Approvals and Partnerships.
2. Shell seeks to **position our products at a price commensurate with the overall value of our offer**, which includes our Top Quality Products, Programs and Services; our Technical Leadership and Product Innovation; our Global Footprint and Supply Chain capabilities; our intimate understanding of the Lubricants Dynamics, Sectors, Applications and Customers; our long term OEM relationships; our Consumers Trust; our Strong Portfolio of Brands and the long heritage of the Shell brand; our Professional and Experienced Workforce; and our continuous investment in Research and Development to be at the forefront of Technology.
3. Due to the previously mentioned considerations and current market conditions, SOPUS Products is announcing a **price increase across the United States** – this follows the March Price Increase implemented by SOPUS Products. As a market leader for 15 years in a row based on Kline independent research, SOPUS Products often moves first in response to changing market forces, with competitors typically quickly following.

2022 Price Increases

Recent Price Increase Announcements

- Chevron revised its price increase from 15% to 25% effective March 28th
- Sinclair Lubricants also announced a price increase of up to 15% effective April 1st

Lubricant Price Increases Announced as of February 16, 2022

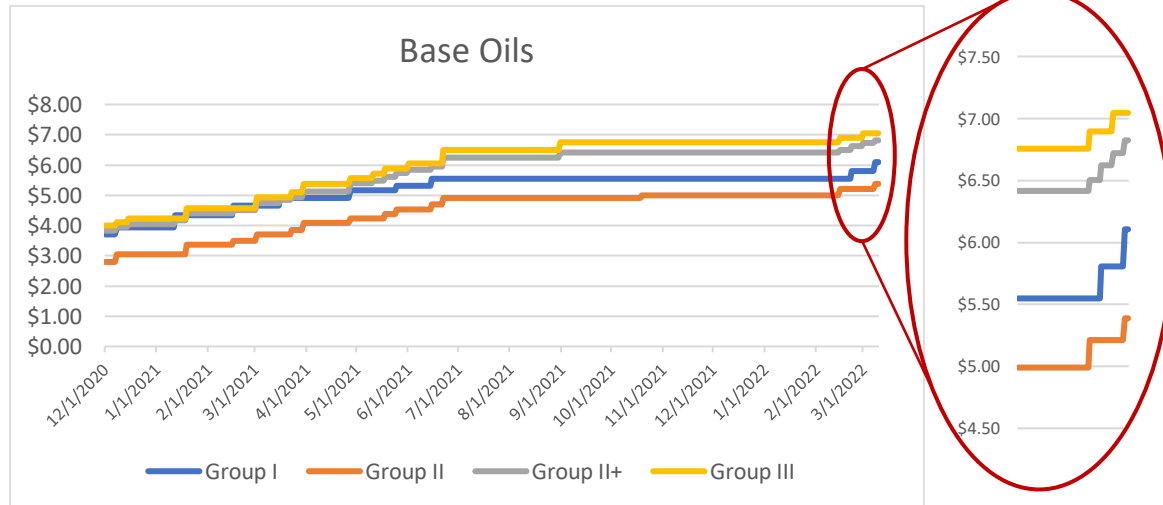
Company	Announced	Increase	Effective Date
Valvoline	1/4/2022	8% on average	2/1/2022
Sinclair Lubricants	2/7/2022	up to 15%	3/1/2022
SOPUS (Shell)	2/1/2022	up to 15%	3/1/2022
Phillips 66	2/7/2022	up to 15%	3/7/2022
Highline Warren	2/11/2022	up to 15%	3/7/2022
Petro-Canada America Lubricants	2/10/2022	up to 15%	3/14/2022
Reliance Fluid Technologies	2/11/2022	up to 15%	3/14/2022
Nu-Tier Brands/Gulf	2/14/2022	up 15% to 18%	3/14/2022
Old World Industries	2/11/2022	up to 15%	3/14/2022
ExxonMobil	-	up to 15%	3/16/2022
Pinnacle Oil	2/15/2022	up to 15%	3/17/2022
Advanced Lubrication Specialties	2/16/2022	up to 15%	3/18/2022

- Lubricant suppliers starting to make price adjustments in response to increases of raw materials (base oils and additives) and other significant increases in cost of freight and packaging.

Increases in Cost of Raw Materials

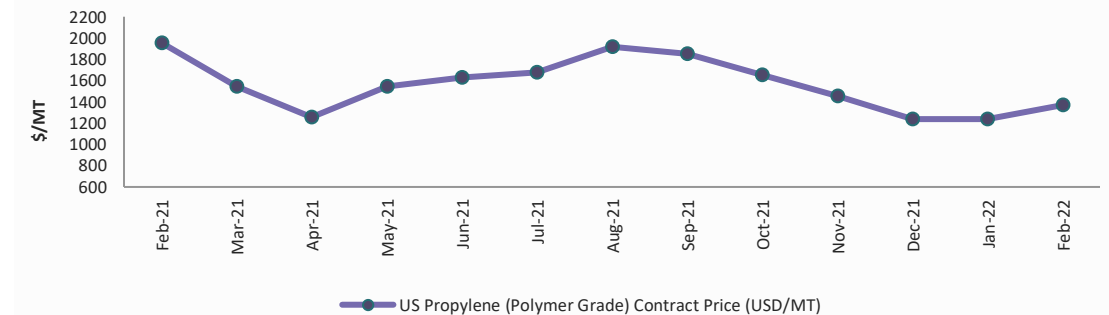
BASE OILS

- There have been two rounds of increases on base oils for Gr I and II starting in February 2022 with ExxonMobil revising its March 14 adjustment from \$.030 to \$0.70 a gallon.
- SOPUS Products and its suppliers do not source materials from Russia or Ukraine. However, as countries and companies have stopped doing business with Russia, the global hydrocarbon market has tightened. That tightness has affected the price of VGO, the primary feedstock for base oil, which has increased by \$1.24/Gal since early January.
- Other factors influencing the price of base oil are the rapid increases of crude oil, tight supply of additives, and diesel prices (refiners favor distillates over base oil production given the high fuel prices)



ADDITIVES

- The Russia-Ukraine War is putting pressure on the price of chemicals
- Propylene prices are expected to have a significant impact in the US due to rising upstream prices. Supply is expected to remain constrained.



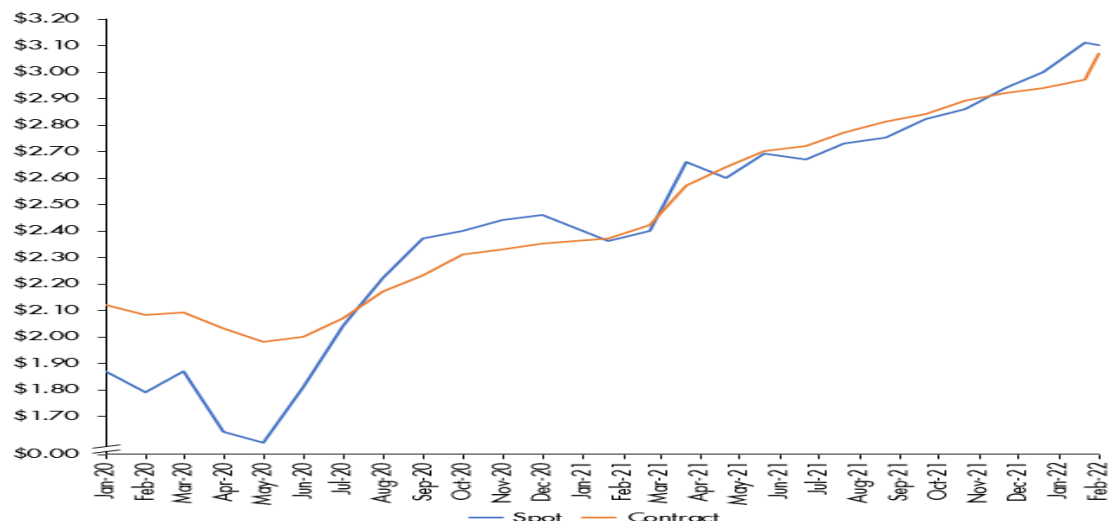
- Other chemicals impacted by high crude oil prices are ethylene oxide, carbon black, caustic soda, mono ethylene glycol and others

ADDITIVE INCREASES

- Ergon – 25cpg increase on its naphthenic base oil effective Feb 11, 2022
- Infineum – 15% price increase on lubricant additive effective Jan 31, 2022
- Afton Chemical Corporation – 15% price increase on lubricant additive effective Feb 21, 2022

Transportation Outlook

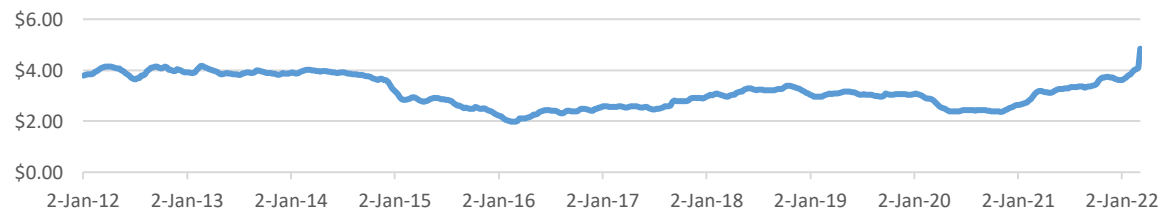
DAT SPOT & CONTRACT Rate Per Mile (LH + Fuel, \$USD) Pack TL



- Tightened carrier capacity due to COVID-19 (driver shortages, diminished level of replacement of workforce via new trainees):

- National Avg. Spot RPM increased 66% Jan 2020 – Feb 2022
- National Avg. Contract RPM increased 45% Jan 2020 – Feb 2022

- Diesel fuel cost continues to increase, and particularly surged in the last month due to heightened tensions in eastern Europe. Diesel prices are the highest in nearly 14 years.

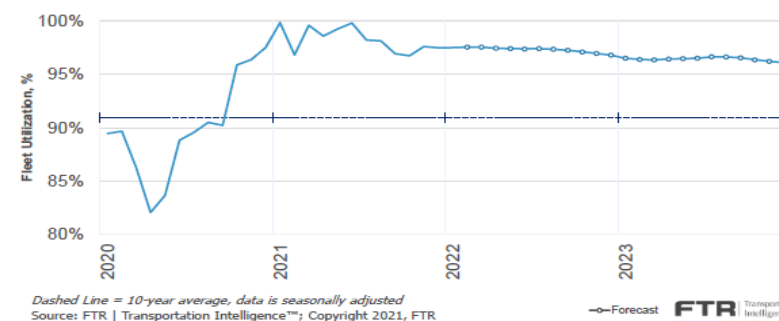


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- Active Truck Utilization is expected to hold near or at 97% through 2022, with slight expected relief in 2023

Active Truck Utilization Outlook

Share of seated trucks actively engaged in freight hauling

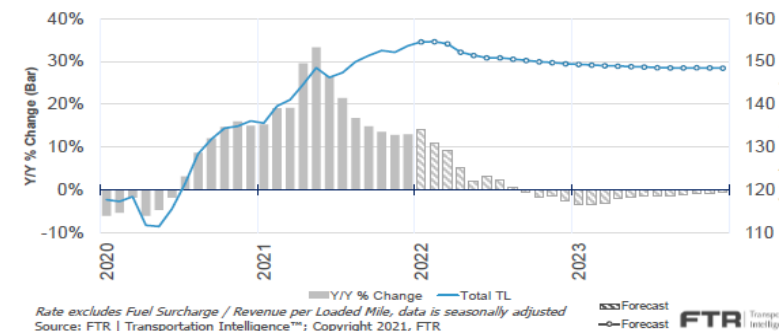


Dashed Line = 10-year average, data is seasonally adjusted
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

Forecast FTR Transportation Intelligence

- TL rates (LH only) expected to be 3.2% higher y/y in 2022

Rate Outlook: Total TL



Rate excludes Fuel Surcharge / Revenue per Loaded Mile, data is seasonally adjusted
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

Forecast FTR Transportation Intelligence

Storage and Handling

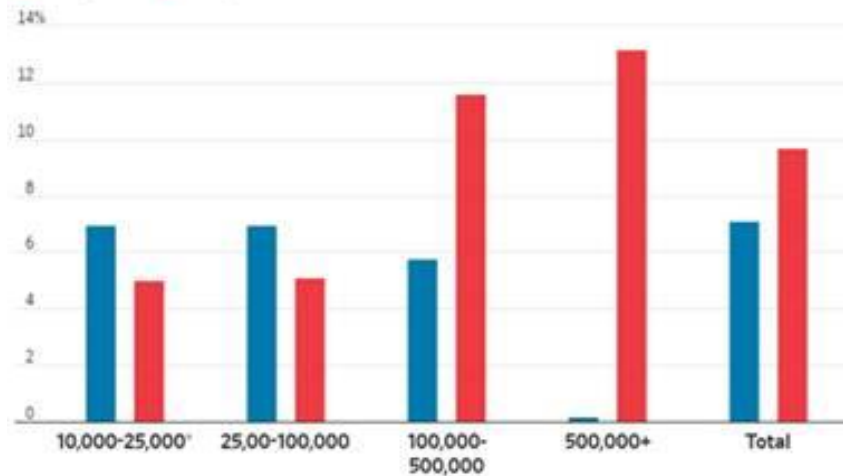
A report released at the end of 2021 by real-estate firm CBRE Group Inc. found that the rental rates on expiring multi-year warehouses leases are increasing at a rapid rate. According to the research, the cost to rent an industrial property is up by an average of 25% compared to the rates being paid at the end of five-year contracts that expired in 2021. Industrial vacancy rates at their lowest since 2002.

Rising Warehouse Rents

Annual increases in average industrial rents for the first five months of 2021, by square footage

Percent change

■ Asking Rent ■ Taking Rent



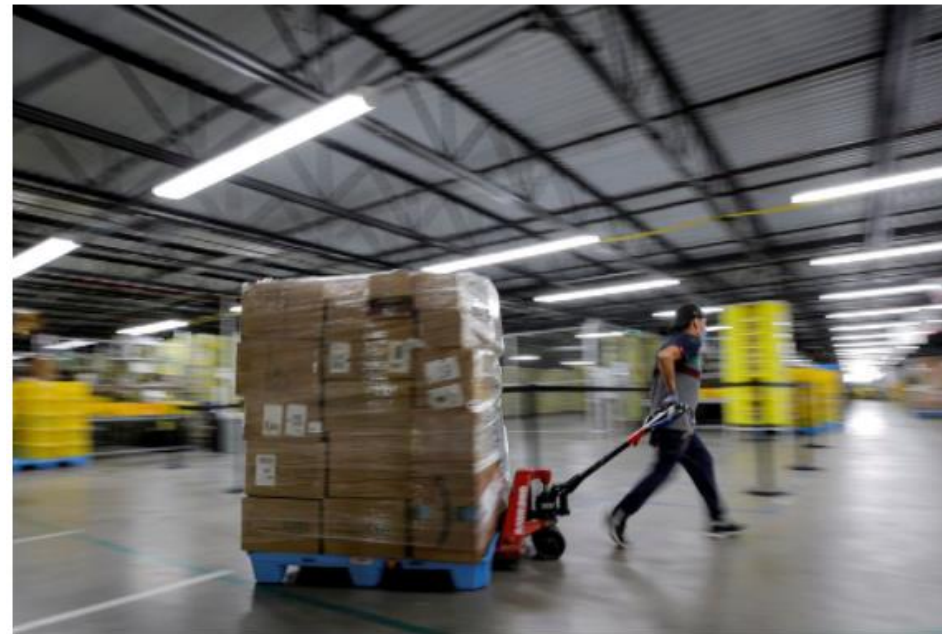
Source: CBRE Research

Source: <https://www.cbre.us/research-and-reports/US-Real-Estate-Market-Outlook-2021>

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Warehouse Rents Surge on Bidding Wars for Scarce Space

Negotiated prices rose faster than asking rents in the first five months of the year in a rush to fill e-commerce demand, says CBRE



Competition for warehouse space is driving up industrial rents as retailers and logistics providers race to move goods closer to population centers, with some engaging in bidding wars for the most coveted sites.

PHOTO: BRENDAN MCDERMID/REUTERS

By [Jennifer Smith](#)

June 22, 2021 2:20 pm ET

Source: https://www.wsj.com/articles/warehouse-rents-surge-on-bidding-wars-for-scarce-space-11624386011?mod=djemlogistics_h

