

Refined oil products; a future in road transport

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UK Petroleum Industry Association

Trade Association for the UK oil refining industry & its marketing activities

Some principles:

- Sound science
- Workable
- Flexibility
- Cost effective and Affordable
- Level playing field; no gold plating of legislation

- **BP**
- **Shell**
- **P66**
- **ExxonMobil**
- **Murco**
- **Petroineos**
- **Essar**
- **Total**
- **Valero**



Marketing/Retail – No refining

Refining and Branded wholesale marketing

Refining and Marketing

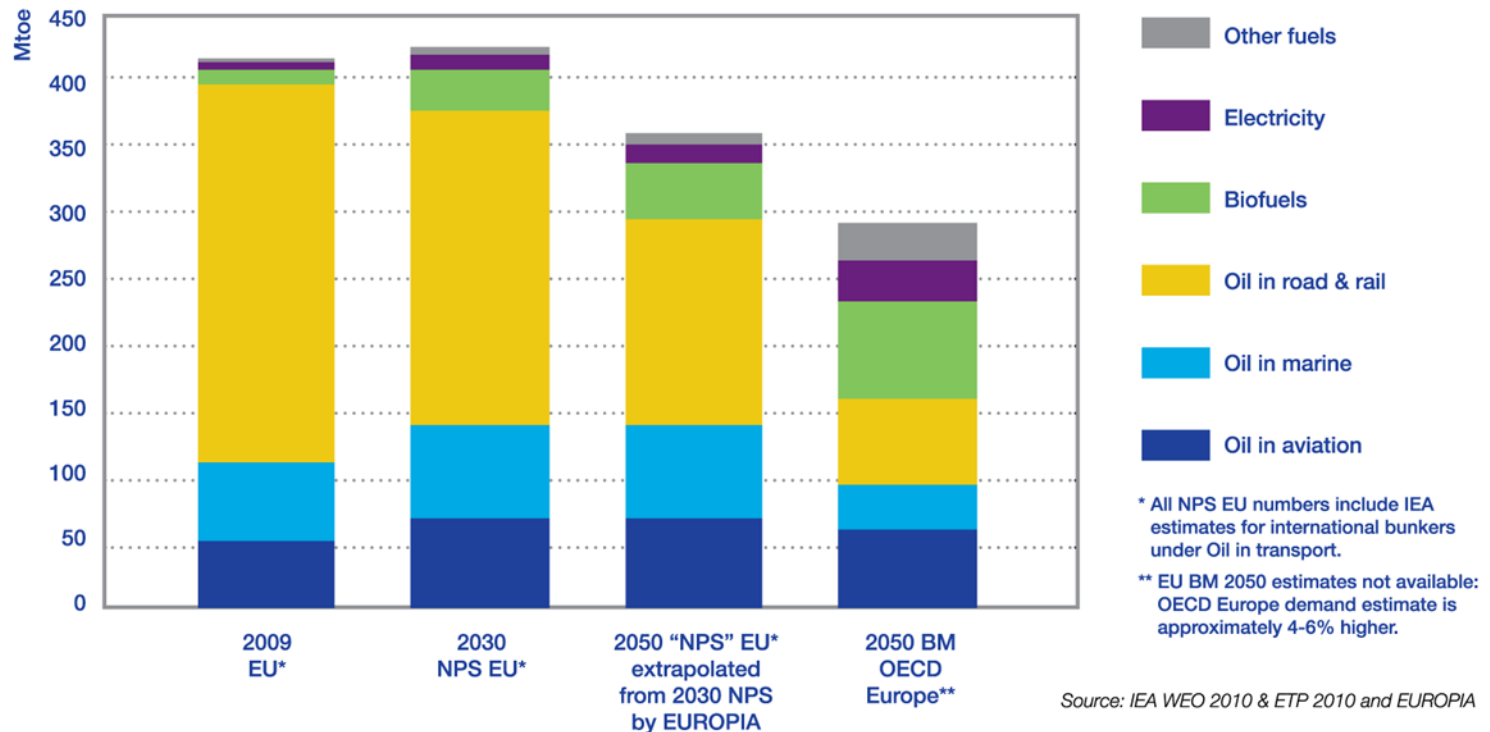
Refining and limited marketing

UKPIA members source more than 85% of the UK petroleum product market



Beyond 2030: oil will remain the main energy source for transport in 2050 even in the most ambitious IEA scenario

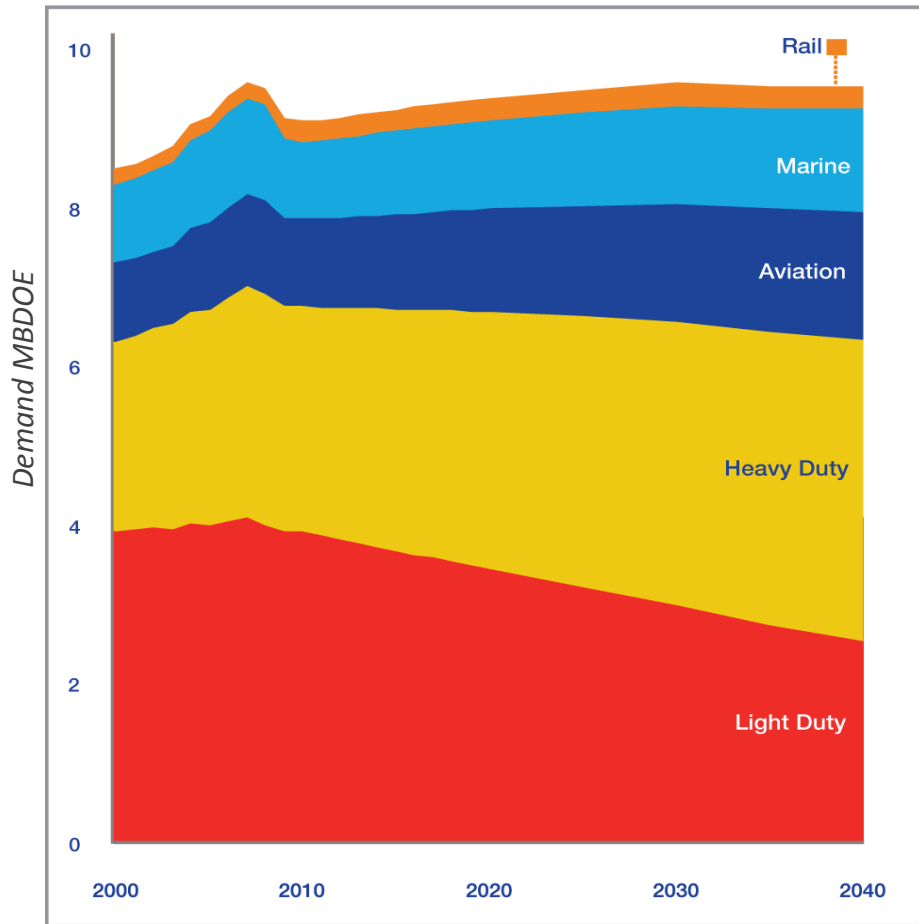
Estimating the future transport energy mix in Europe gives very different results depending upon the assumptions made.



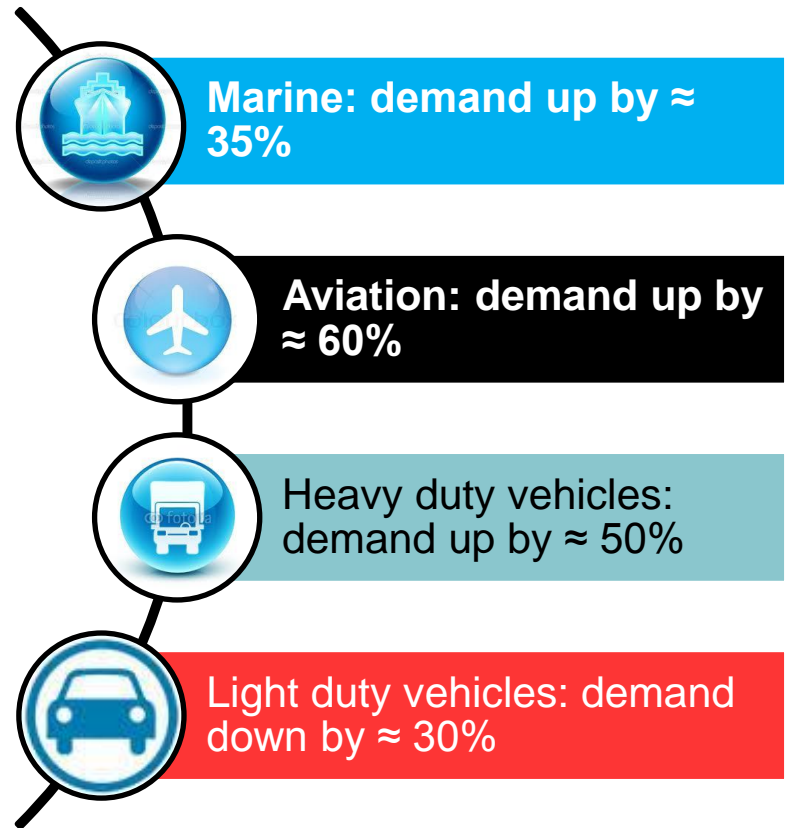
The future transport energy mix in Europe will depend upon technology but is likely to be liquid based.



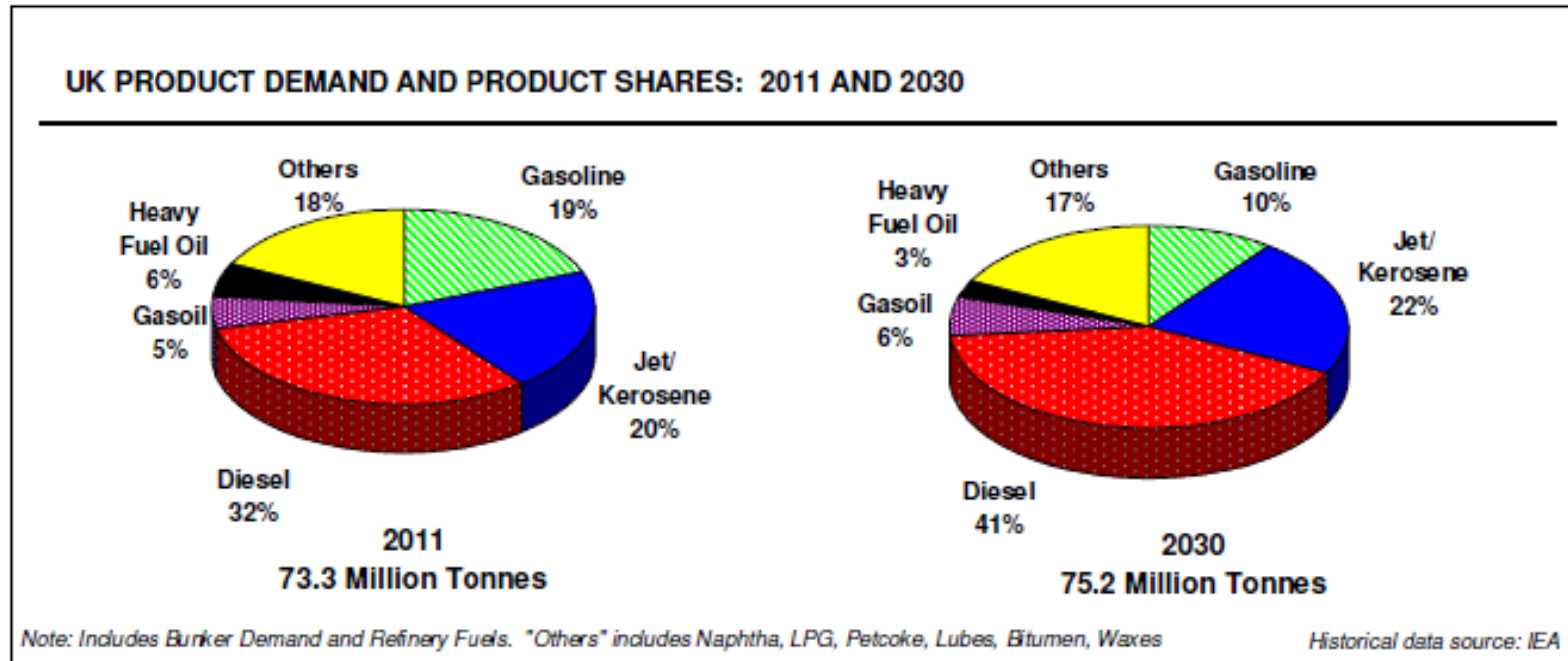
Oil demand changes in Europe to 2040: Light duty vehicle demand is the only part reducing



Source: ExxonMobil 2012 Outlook for Energy



UK will follow a similar profile

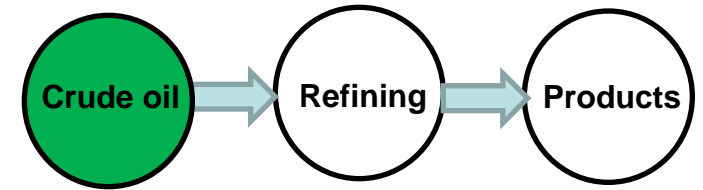


- Diesel and Jet fuel demand forecast to increase
- Continued but slower decline in gasoline demand



Crude oil

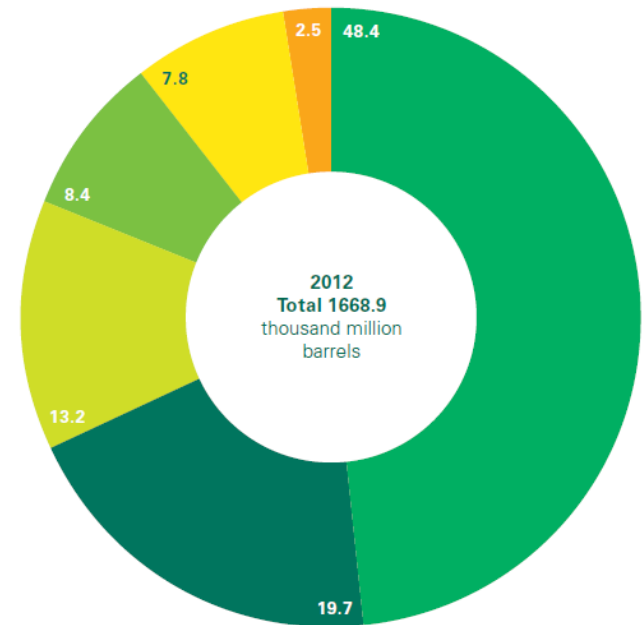
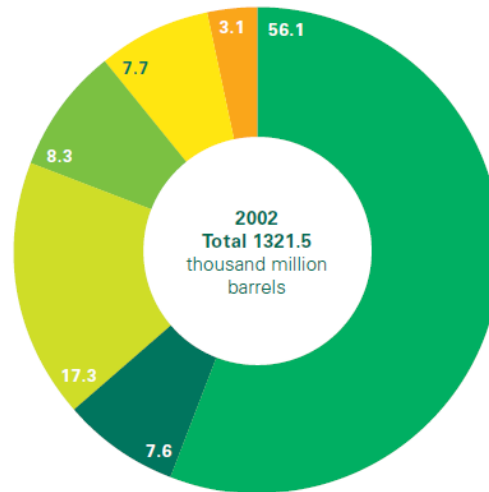
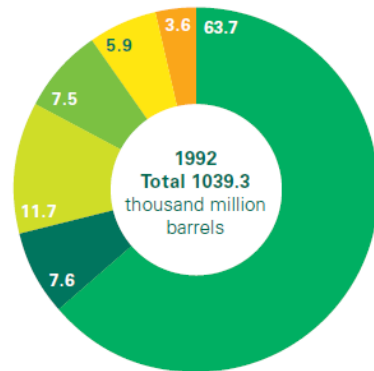
Route to Market



Distribution of proved reserves in 1992, 2002 and 2012

Percentage

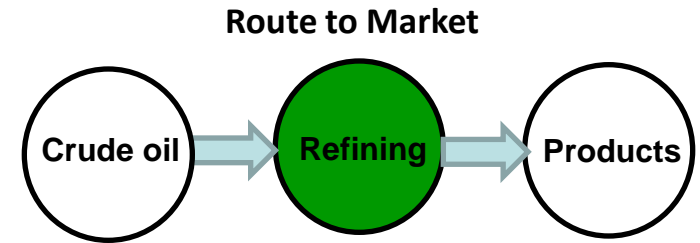
- Middle East
- S. & Cent. America
- North America
- Europe & Eurasia
- Africa
- Asia Pacific



World proved oil reserves at the end of 2012 reached 1669 billion barrels
 = 53 years of global production



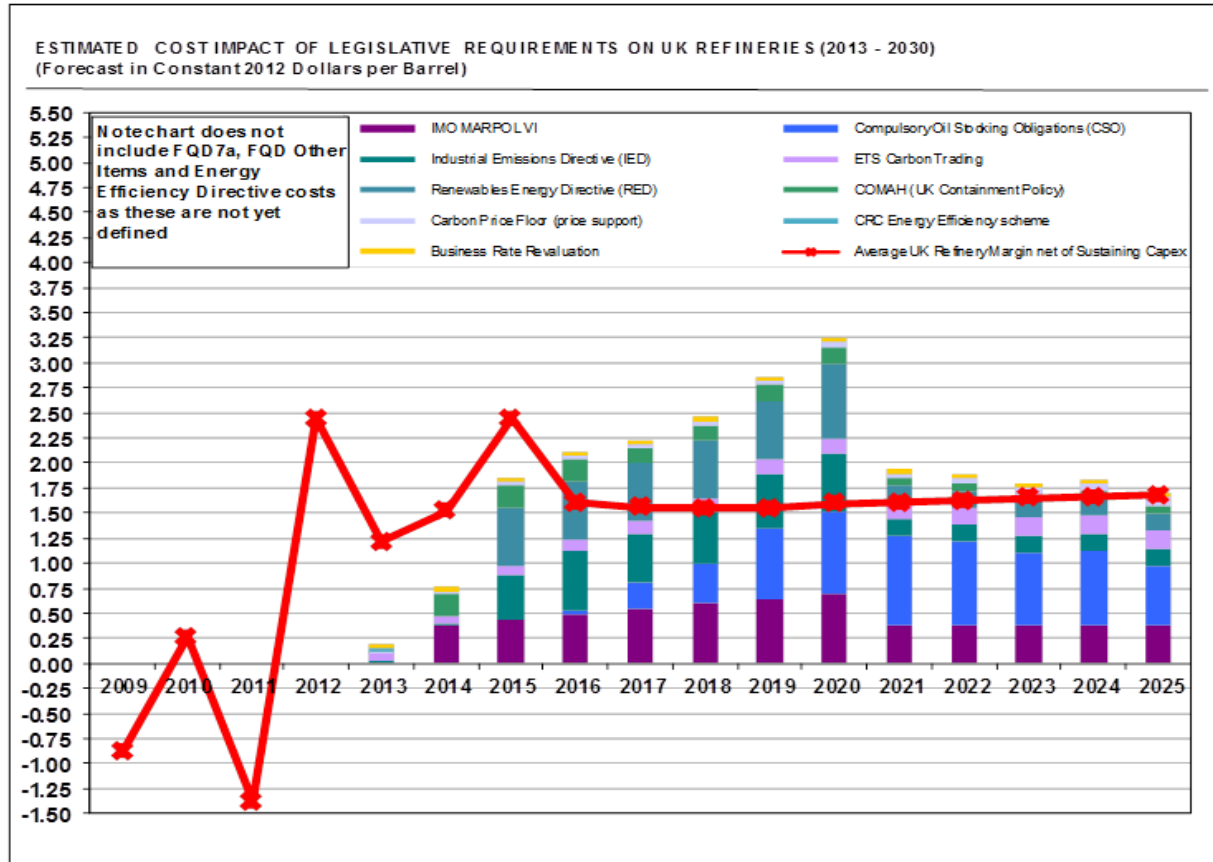
Refining



- All oil products come from a refinery somewhere.
 - Refining is essential.
 - Where should the refining to take place?
-
- Today the UK has 7 refineries and processes 1.5mb/d (~3rd in EU).
 - UK refineries are very efficient.
 - UK refineries are on average both larger and more complex than the European average & more than capable of delivering products at lower cost than most of their international competitors given a level playing field.
 - UK already imports ~40% Diesel and ~50% Jet fuel.



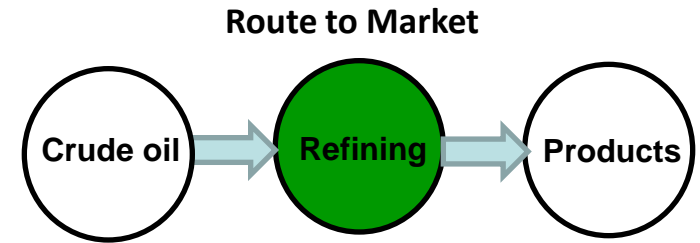
UK (&EU) refineries are facing increasing environmental legislation



- The figure does not include FQD7a, FQD other items and the Energy Efficiency Directive.
- Circa **£11.4 billion** is estimated to be required to comply with UK and EU legislation to 2030.



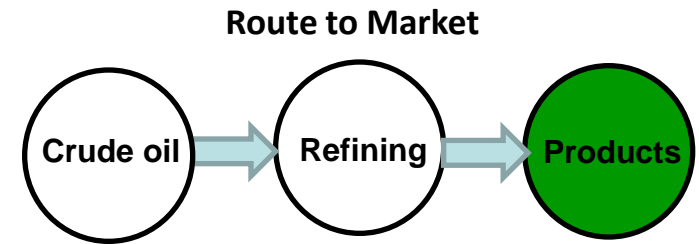
Refining



- UK Refineries provide the best supply resilience in any scenario:
 - Process crude oils from many sources
 - Process intermediates and blend components
 - Import fuel not meeting quality and correct to British Standards
 - Import finished fuel
 - And also have a lot of tanks
- They also contribute up to £10bn to the UK economy.
- EU legislation is not a level playing field.
- Closure of more UK refineries ‘outsources’ refining to non-EU locations where the same legislation does not apply & also weakens supply resilience.



Products



- Refineries can make a wide range of products
- Products have to meet British Standards, be 'fit for purpose' and be compatible with vehicles.
- Products have to be distributed to the end consumer which needs infrastructure.
- And the consumer must want them.
- Refiners & Importers (who are obligated suppliers under RED and FQD) will play their part but cannot deliver all of these outcomes alone.



In conclusion

- 1) Oil will continue to play a major role in the UK's energy mix for many years
- 2) Refineries are strategic assets & must be recognised as such
 - DECC is currently developing a strategy for UK refining
- 3) Before finalising any legislation the EC should complete a 'Fitness Check' and allow MS and Industry to comment on the findings
 - ✓ Sound science
 - ✓ Level playing field
 - ✓ Workable
 - ✓ Flexibility
 - ✓ Cost effective and Affordable



Thank You!

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