

President's Report

Dear readers,

After a period of resilience which has lasted longer than any of us could have imagined, it is now time to develop a strategy to grow in a post-pandemic business environment.

The pandemic crisis has acted as a catalyst for change in many aspects of life, and the lubricant industry was no exception. The crisis generated a sense of urgency that accelerated decisions and change. Remote working and digitalization are prime examples of the changes that have happened at a pace which would have been unimaginable a year ago for a traditional industry such as ours.

This crisis challenged our beliefs and proved to us that we could do things differently yet still be successful. It tapped into huge creative and resilient potential. It is now crucial not to waste these learnings, but to build on them and embed them into new initiatives across our organizations. A study conducted by McKinsey shows that 85% of the jobs that will exist in 2030 have yet to be created. Change is unavoidable. Successful organizations should embrace change, re-imagine the way they operate and re-think their business models to create the foundations for future growth – a future in which sustainability and the green economy will play a pivotal role.

That is why the theme of this year's UEIL Annual Virtual Congress will be "From business resilience to sustainable growth - Re-imagining the future of the lubricants industry". On October 20-21, 2021 we will cover a wide variety of topics, ranging from leadership in times of change to the EU Green Deal, from sustainable mobility to diversity.

The format will include a combination of key-note speeches, thematic roundtables and networking, to ensure maximum engagement for all participants and to provide a thought-provoking, stimulating and inspiring experience. The full program will be available on the UEIL homepage.

I look forward to seeing you there so we can contribute together to the growth of our industry!

Valentina Serra-Holm

UEIL President

HSE Update

The meeting of the HSE Committee in January took place once again as a webconference. However, we hope to have a physical meeting later this year. One topic discussed was the REACH review process in light of the new EU green deal. Amongst others, the Commission is primarily focusing on the following three issues: essential uses; persistent, mobile and toxic criteria; endocrine disruptors criteria; and mixture assessment factors (MAFs). These will most certainly impact the lubricant industry. "Essential uses"

means that substances of concern may be used only in certain applications, but it is still unclear who decides what "essential" means. Worse still, the Commission has categorised substances into different groups, e.g. all kinds of per- and polyfluorinated hydrocarbons will be assessed together even though the individual compounds differ widely in their chemical properties. The mixture assessment factor is an attempt to assess the risk of mixtures for both the environment and humanity instead of a single substance assessment. In March, the HSE Committee had the opportunity to discuss these points with EU representatives (DG ENV, European Commission). It turned out that many of our concerns are not yet sorted out and the final definition of "grouping", "MAFs" and "essential uses" will be decided later this year. The HSE committee will follow these discussions and keep the lubricant industry updated.

TC/CC Update

The Technical and Competition Committees' latest meeting was held on the 27th of January, during which they discussed the ongoing work on the 21 cases currently open.

On the advocacy side, the Committees participated in a public consultation launched by the European Commission on the evaluation of the Motor Vehicle Block Exemption Regulation. The consultation, which opened on 12 October 2020 closed on 25 January 2021.

The Committees have also been in regular contact with the European Commission and national experts in charge of the adoption of the draft Delegated Regulation amending Annex X of Regulation 2018/858 (on approval and market surveillance of motor vehicles and their trailers) to express their position on the file.

In both cases, the Committees emphasized once again the importance of guaranteeing proper and timely access to technical information for independent lubricant manufacturers.

Sustainability Committee Update

The newly created UEIL Sustainability Committee held its first meeting of the year on the 11th of February. On this occasion, all of the Committee's working groups and sub-groups gathered to exchange information on the latest activities carried out and to discuss next steps.

When it comes to environmental policies, the Raw Materials working group will be focusing its efforts on developing a calculation scheme to enable members to provide information on their carbon footprint, and to provide members with a toolbox to measure and reduce their carbon footprint. The Energy Efficiency working group will focus on product lifetime improvements, product efficiency and improved performance, carrying out a series of communication activities including the gathering of testimonials and positive case studies, and the development of a lexicon and infographic.

The Society & Economy working group also presented an ambitious action plan including a series of educational and awareness campaigns. Lastly, the Communication working

group shared its progress on the update and population of the UEIL website, as well as a couple of initiatives related to the collection of members' sustainability journeys.

The Committee will meet again on the 29th of April.

Taxation Taskforce Update

The European Commission is currently reviewing the Energy Taxation Directive which was withdrawn by the European Commission in 2015 and will publish a revised Energy Taxation Directive, most likely after the Summer of 2021.

Related to UEIL's objective to prevent the inclusion of lubes under EMCS, certain EU Member States are concerned about increased fraud with lubes across Europe and are once again increasing the pressure to include lubes under EMCS. UEIL will continue its outreach to EU Member States in the coming weeks to express its concern and will discuss with the European Commission the option of a definition of 'light lubes' that might be included under EMCS in the near future.

The European Commission has also decided to extend the quota on GP II of 400 tonnes annually until 30 June 2021. UEIL is lobbying for a higher quota as the demand is higher than the supply in Europe on GP II and for lubricant blenders it is very difficult to change from one producer to another.

The EU over the past few years has also discussed ways to improve fairness and efficiency of the EU tax systems and challenges of taxing the digital economy as part of the ongoing international discussions at OECD level on a fair global digital tax system and the publishing of the European Commission's digital tax package in March 2018.

With Member States being divided on the digital tax package, the European Commission has launched a consultation on digital levy from 18 January to 12 April 2021 with the aim of receiving input from all interested stakeholders. New legislation from the European Commission on a new digital levy is expected to be proposed no later than June 2021.

GEIR Update

Sustainability remains high on the EU and GEIR's agenda during the first quarter of 2021. The European Commission will put forward a Sustainable Product Initiative to make sustainable products the norm and the default choice for businesses and consumers. As part of this initiative, the issues of greenwashing and misleading green labels will be addressed with the Substantiating Green Claims Initiative in Q2 2021. This initiative will require companies to substantiate claims they make about the environmental footprint of their products/services by using standard methods for quantifying them. This should help commercial buyers and investors make more sustainable decisions and increase consumer confidence in green labels and information.

GEIR will take this opportunity to highlight its role as sustainability enabler within the lubricant industry, through the supply of high-quality regenerated products and sustainable solutions we are providing to our customers and more broadly consumers. GEIR will continue to follow this initiative and coordinate with UEIL on any activities.

Furthermore, GEIR has closely worked with the European Parliament on its report on the Circular Economy. The European Parliament endorsed yet again the need for the European Commission to put forward a legislative proposal with additional measures to promote the regeneration of waste oils including the introduction of quantitative targets by the end of 2022.

Last but not least, GEIR remains active on the revision of the EU Industrial Emissions Directive which defines best available techniques for waste oil regeneration as well as how to handle emissions from industrial installations. In its submission to the public consultation, GEIR underlined, among other points, that the current industrial emissions thresholds are adequate, however there is a need for alignment between all EU environmental legislation.

EU Update

Parliament agrees on the EU's Recovery and Resilience Facility

On 10 February, the European Parliament approved the [Recovery and Resilience Facility](#) (RFF), the biggest building block of the Next Generation EU stimulus package. The €672.5 billion in grants and loans will be available to finance national measures designed to alleviate the economic and social consequences of the pandemic. Projects eligible for financing need to focus on key EU policy areas, such as the green transition including biodiversity, digital transformation, and economic cohesion. Each plan has to dedicate at least 37% of its budget to climate and at least 20% to digital actions, which is intended to accelerate the green-digital twin transitions as part of EU member states' recovery from the coronavirus crisis. The green conditionality and Do No Significant Harm (DNSH) principle will apply to the entire fund. EU governments need to have a clear methodology to demonstrate that none of their measures would jeopardise attaining the climate neutrality objective for 2050. The deadline for submitting the draft National Recovery and Resilience Plans (NRRP) is end of April, and those will be assessed by the Commission within two months.

No breakthrough in Climate Law negotiations

Following the [endorsement](#) of a binding collective EU target for a reduction of at least 55% in greenhouse gas (GHG) emissions by 2030, on 26 February, the Portuguese Presidency of the Council of the EU sent a set of new [compromise proposals](#) to Member States regarding demands made by the European Parliament. The points concerned are the 2030 GHG emission target, where the Parliament is pushing for a 60% cut, the creation of a 'European Climate Change Council' (ECCC), an independent scientific advisory body which could keep the EU on course to meet its targets and the establishment of an EU 'greenhouse gas (GHG) budget' to inform the future EU climate targets. Despite exploratory talks over the month of February regarding Parliament's demands, and several rounds of interinstitutional negotiations, the Council and the Parliament failed to reach a breakthrough regarding any of the debated elements. The European Commission aims to achieve an agreement by the climate leaders' summit on Earth Day (22 April), hosted by the United States. Both the U.S. and Canada are expected to

announce their upgraded emissions reduction pledges under the Paris Agreement by then, signaling the importance of reaching a political agreement in the EU.

Brexit update

On 24 December 2021, after months of intensive negotiations and preparations for a no deal scenario, the European Commission and the UK reached an [EU-UK Trade Cooperation Agreement](#) on the terms of future cooperation. The agreement sets out arrangements in various areas, such as trade in goods and in services, aviation and road transport, energy or fisheries. Although EU national governments and the British parliament have already approved the deal, the European Parliament has not yet ratified the trade deal, which is the final step before the agreement would legally come into full force. In March, political group leaders in the Parliament decided to postpone their ratification vote after the U.K. unveiled plans to unilaterally extend grace periods of three months on post-Brexit customs checks at Northern Ireland's ports for a further six months. The decision postpones the full implementation of the customs controls provided in the agreement between Northern Ireland and Great Britain. On 15 March, the European Commission launched the first phase of an infringement proceeding on the matter. The ratification is foreseen on the 26 April plenary, regardless of the U.K.'s actions, according to a recent interview with European Parliament President, David Sassoli.

Covid-19 and the shortage of raw materials for the lubricant industry

All lubricant manufacturers are heavily reliant on the timely and full supply and delivery of base oils, additives and chemicals which are crucial to the development of lubricants. The production process itself involves the manufacturers selecting and mixing raw materials and testing them against the specifications shared by the users or developing tailor-made lubricants for various applications in collaboration with OEMs.

It is of course no surprise that the Covid-19 pandemic has led to shortages in the supply of such raw materials and presented the industry with several new challenges, including the lack of availability of these materials in the desired quantity and the dependency on fewer suppliers. The journal Lubes n Greases published an article on 2 March 2021 which provided a general overview of the current base oils market:

"Perhaps more than in other regions, base oil supply in Europe and the Middle East has been severely constrained since the end of 2020. Industry insiders say the flow is unlikely to increase in the first half of this year."

There are number of factors which have had a direct impact on the lubricant industry:

- Cargo capacity, especially in aviation/on aircraft, has become limited: Whereas before some cargo was normally carried on passenger flights, it is now being partially transported on ships. As a result, freight rates have increased and sometimes ships do not have the extra capacity to carry cargo of this kind. An increased demand for products originating from China has also tightened freight capacity and in 2020 the overall freight capacity was considerably reduced. As a result, prices from the Shanghai Shipping Index for container cargo have almost tripled.

- Less demand for transportation has in turn reduced the demand for fuel. As some base oils and precursors for synthetic hydrocarbons (e.g. naphtha) are also part of the fuel production process, their production has been scaled down as well. Chemical-based precursors made from crude oil such as ethylene oxide and polyglycols are also scarce. Lube blenders therefore reported a shortage on crude oil-based additives and plastic containers.
- Lockdowns across Europe and beyond have also reduced the number of staff working at lubricant facilities thus leading to bottlenecks in production and increased costs: orders cannot be produced and delivered in a timely fashion.
- Quantity planning cannot be carried out correctly while organizing staff rotas is also difficult.

Unrelated to Covid-19 yet still directly impacting the industry, globalization and increased market prices have also affected the production of base oils and other raw materials used in lubricants manufacturing.

Supply chains can also often fall victim to unpredictable events whether it be trade barriers, natural disasters, or production losses. For example, there has recently been an unprecedented number of 27 "Force Majeur" reports from various raw material manufacturers which have detailed weather-related problems such as that in Texas in February 2021 in which the State recorded record-low temperatures.

The failure of a single production plant can significantly limit the global availability of certain substances and components, especially since storage capacities are limited for budgetary reasons.

Short-term bottlenecks in production and delayed deliveries in the transport and packaging sectors also lead to an overall shortage in all types of raw materials. For example, steel used in barrels to transport goods can often become scarce.

The above are just a few factors which have had a direct impact on the industry and have primarily led to a shortage in raw materials in the desired quantity and meeting the relevant specifications. Sadly, there is no way to predict or foresee what the future may hold and to determine when these shortages will be rectified.

Asian Lubricant Manufacturers Union announces name change

The Asian Lubricant Manufacturers Union (ALMU), a Singapore-based organisation that represents the interests of a broad range of lubricant industry businesses throughout Asia, today announced a new corporate name following approval by The Accounting and Corporate Regulatory Authority (ACRA). ALMU will now be known as the Asian Lubricants Industry Association or "ALIA". The new name reflects the diverse membership of the trade association and more closely aligns with ALIA's ambition to become the trusted voice of the wider Asian lubricants industry.

"2021 marks an important point in the evolution of this organisation," said Tan Pai Kok, Council Chairman, and Vice President of Operations, Lubricants, Asia Pacific & Middle East, Total Oil Asia Pacific Pte Limited. "Over the past three years, we have developed the platform for a united voice for the Asian lubricants industry. The objective of our corporate name change is to clearly emphasise our value proposition and allow us to continue to attract businesses from throughout the entire lubricants value chain, offering incremental benefit to our members."

"ALIA is a lubricant industry association in every sense of the word," says ALIA Executive Director, Bernard Wong. "The new name will allow ALIA to continue to collaborate industry-wide along the entire lubricants value chain of lubricant manufacturers and marketers, with their suppliers, technology partners, logistics providers, and distributors," he says. At the same time, ALIA is strengthening its strategic relationship with global equipment/car makers and our counterparts in China, America, India, and Europe. A name that better reflects the industry organisation's activities will allow ALIA to interact more effectively with these partners.

As part of the name change, ALIA has released a new company logo for marketing and brand purposes, as well as a new website, <https://asianlubricants.org/>. Otherwise, all details and structures of the former ALMU remain unchanged. Further information on ALIA objectives, membership, the ALIA Council and subcommittees, and upcoming events are available at our website <https://asianlubricants.org/>.

Join OilDoc Conference & Exhibition!

The OilDoc Conference & Exhibition has been the meeting point for international experts and practitioners from the lubrication and maintenance industry since 2011. The next edition of the event will be held in Rosenheim (near Munich) from June 08-10, 2021 - naturally in compliance with all hygiene and safety regulations then in force. Participants who cannot attend "face-to-face" due to travel restrictions will not be left out: All live presentations will be video-streamed digitally from Bavaria to their workstations. Virtual participants will also have the opportunity to ask the speakers their questions and join in the discussion.

The international program planning committee has already published the high-class Conference Program including 60+ presentations, practical-oriented workshops and excursions. The formal program will be enriched by excellent post-show activities like the get-together reception and the "Oktoberfest Reloaded". Registration is already open. All information can be found on the event website www.oildoc-conference.com.

STLE Brings 75th Annual Meeting & Exhibition Online

The STLE Virtual Annual Meeting & Exhibition — the lubricant industry's most respected event for technical information, professional development and international networking opportunities — will be held May 17-20, 2021.

The four-day event will be hosted entirely online, leveraging a user-friendly, virtual platform that will safely provide attendees with a full conference experience — including

daily keynote and plenary talks, live Q&A opportunities with academic and industry leaders, nearly 300 technical presentations, posters, virtual exhibits, and a plethora of networking time with lubricant industry professionals.

During the meeting and exhibition, world-class visionaries will address key areas at the forefront of tribological science. All sessions and presentations will be recorded and archived on-demand, so registered attendees can watch them up to 90 days post-event. This year's program features eight keynote and plenary presentations on timely topics and trends.

To learn more about the STLE Virtual Annual Meeting & Exhibition, visit <https://www.stle.org/annualmeeting>. For a complete listing of technical sessions, click [here](#).
