Asian refiners forced to get creative to stay competitive

20 May 2015

As Saudi Arabia and the United Arab Emirates add at least 1.2 million barrels per day of new capacity between 2014 and this year, Asian refiners are being forced to find new growing markets.

The Middle East will for the first time in a lengthy period start exporting gasoline by the end of the year, oil consultancy FGE's President Jeff Brown said.

Chinese and Indian refiners have shipped oil products to Australia despite higher freight charges and India's Reliance Industries is gradually increasing market share in East Africa to meet fuel demand.

"What's important is to find homes for the products exported from Japan, so any market is OK as long as they absorb the products," JX's Ikeda said.

The surplus capacity might force less efficient refineries to cut operating rates or shut, executives said.

"Refineries near coasts may become more valuable as import terminals," Hamza Khan, senior commodity strategist at ING, told the Reuters Global Oil Forum last week.

Still refining margins could increase over the next few years with no new major project expected to come onstream at least until 2019, experts said.

"With the slowdown in China and also closures slated in Japan, Taiwan and Australia, demand will grow faster than crude distillation capacity over 2015 to 2020," FGE's President Jeff Brown said. (Additional reporting by Anuradha Raghu; Editing by Ed Davies)