



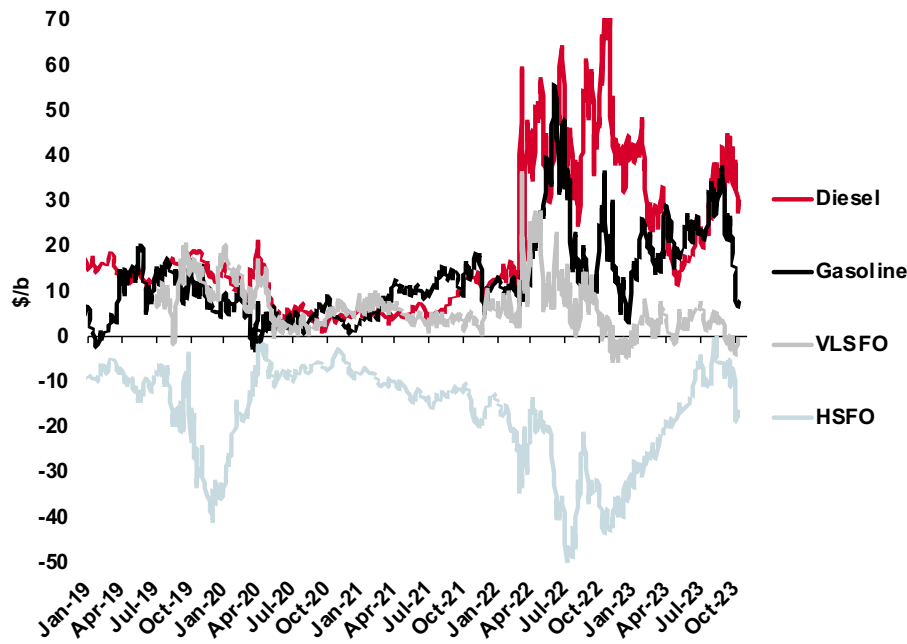
# Winter fuels outlook

**S&P Global**  
Commodity Insights

Eleanor Budds, Research and Analysis Director  
October 17, 2023

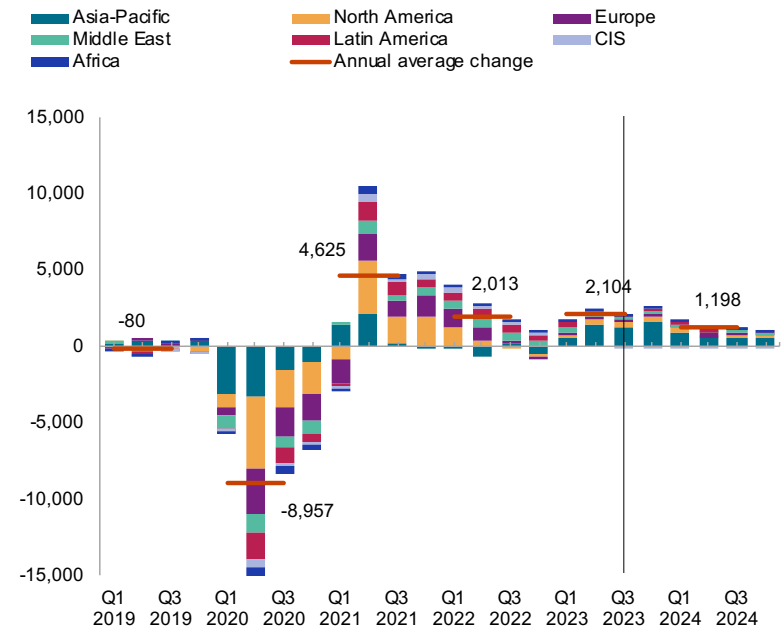
# Product cracks remain wide and refinery margins healthy as refiners struggle to cover demand; 1.2 M b/d of growth expected in 2024

Product Crack Spreads vs Crudes



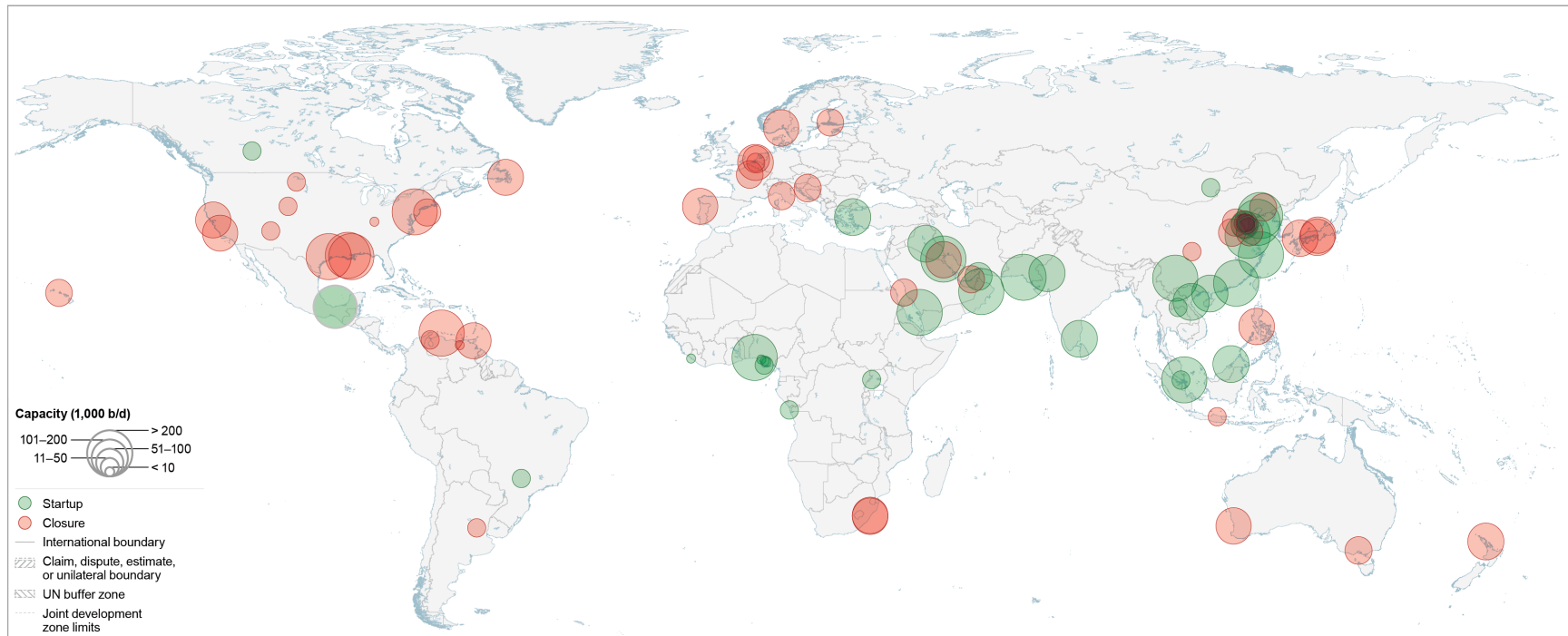
Basis: ARA

Global major products YOY demand growth by region (thousand b/d)

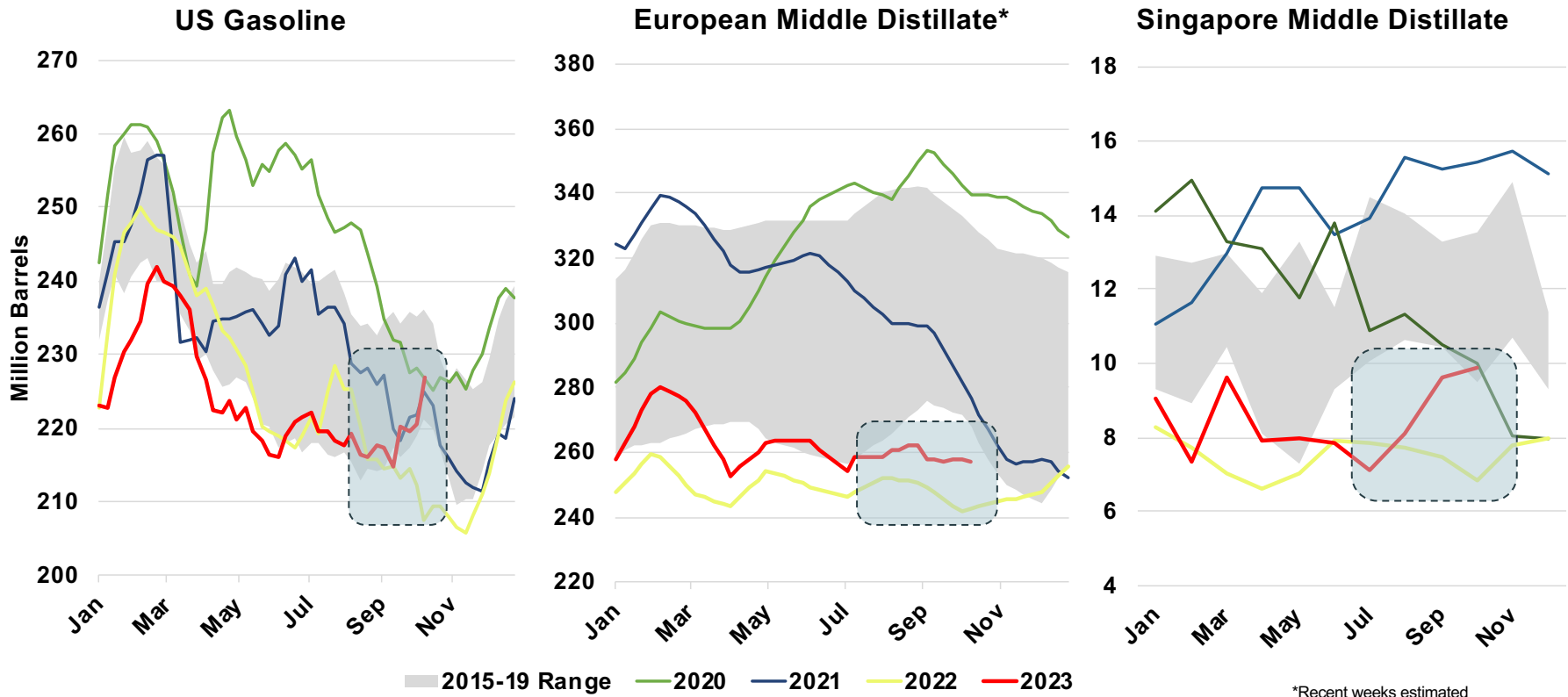


# The “Great Shakeout” set the scene for a prolonged period of structural tightness

Refinery startups and closures (2017–26)



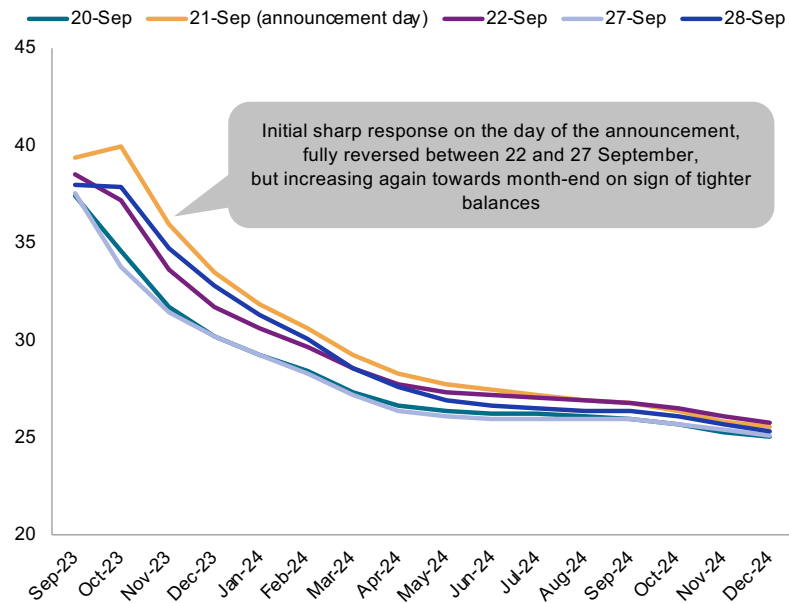
Diesel stocks are tight in all markets. Gasoline stocks in the US have increased recently but are still vulnerable.



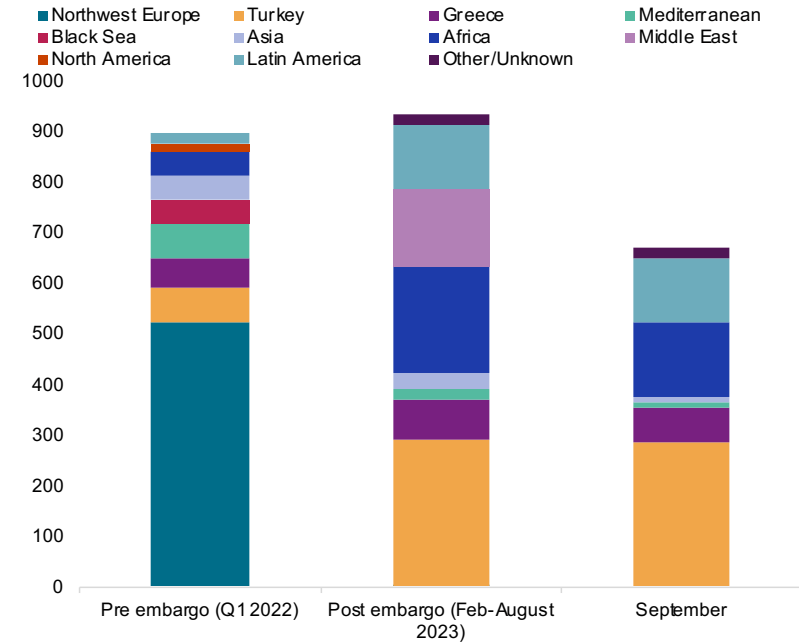
\*Recent weeks estimated

# Russian diesel exports fell sharply amid heavy maintenance and ban; post-ban reversal already starting to be seen in latest shipping data

**Low-sulfur gasoil crack futures movements before and after the announcement of the Russian diesel export ban (\$/b)**



**Russian diesel exports by destination (thousand b/d)**



Data compiled Sept. 27, 2023.

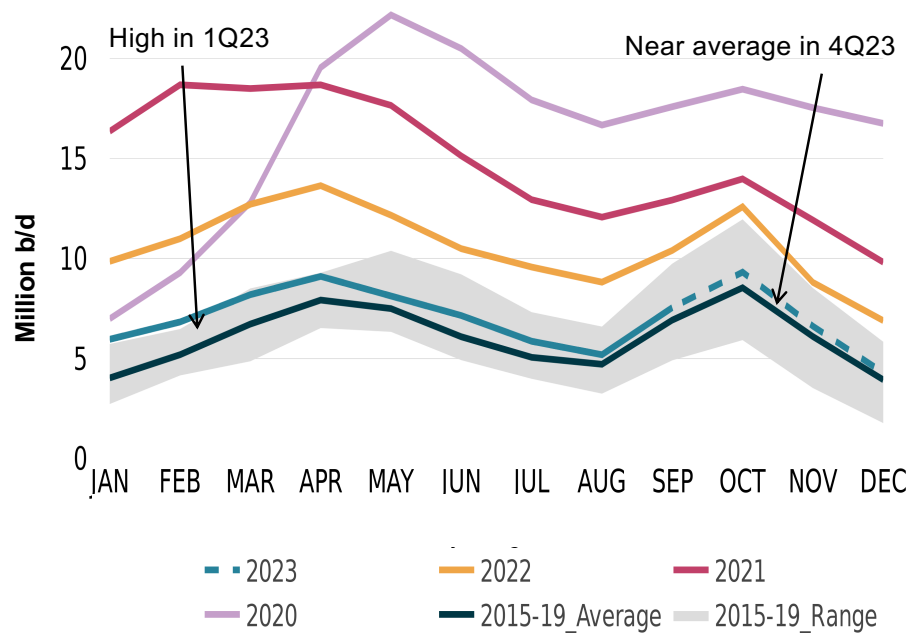
Russian diesel exports are average values (both pre-embargo as well as post-embargo).

Totals only include waterborne volumes. Excluded ship-to-ship locations are Greece, Malta and Gibraltar. Volumes transported between European countries are excluded. Based on discharge date.

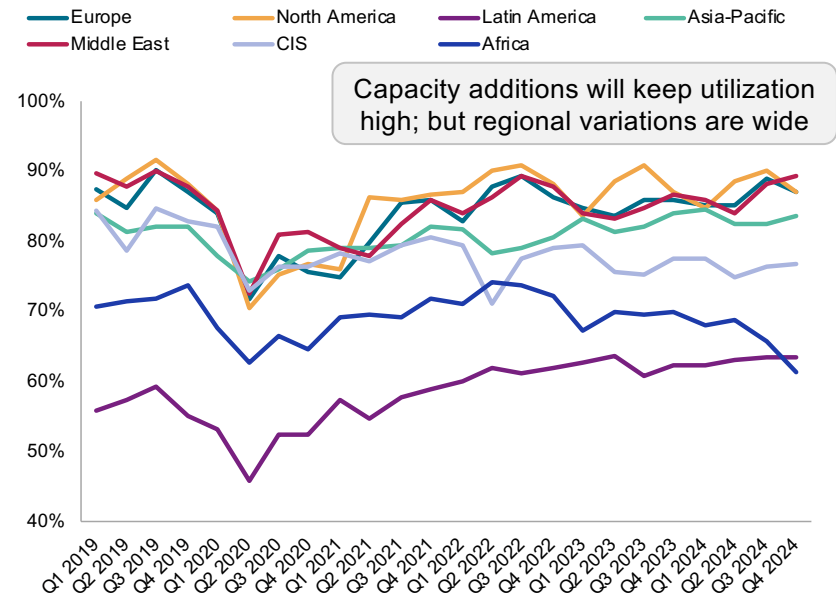
Source: S&P Global Commodity Insights.

# Crude runs are at 2019 levels, but balances are tight, requiring higher utilization rates to cover demand

**Global refinery outages**

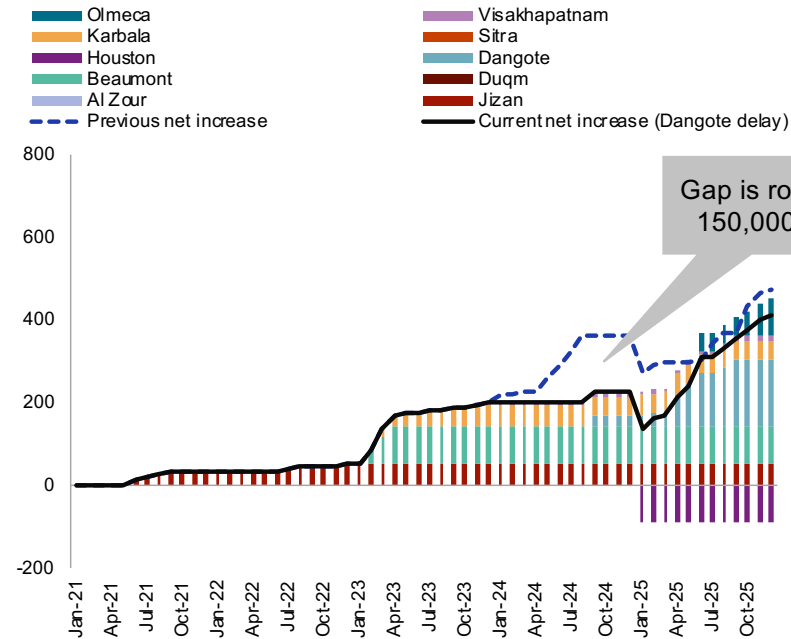


**Crude utilization by region (%)**

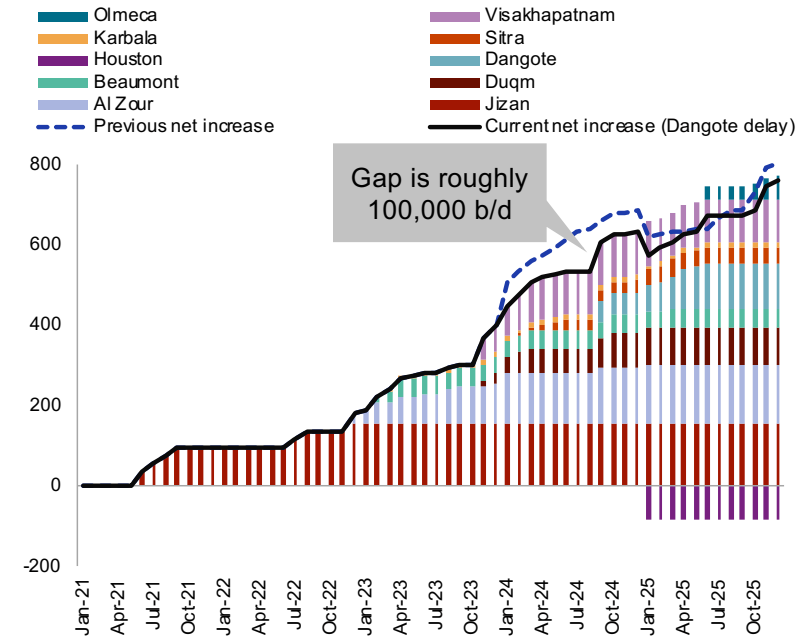


With a projected delay in Africa's Dangote refinery startup, a corresponding 250,000 b/d of light product supply will not appear in the current forecast horizon

**Gasoline supply increase from new refinery capacity (thousand b/d)**



**Diesel supply increase from new refinery capacity (thousand b/d)**



Data compiled September 2023.

Incremental production comparing previous outlook (September 2023) and current outlook (October 2023) with Dangote delay highlighted by the gap between solid and dashed lines. Some refineries' supply may reflect incremental production elsewhere as a result of feedstocks produced from the new capacity.

Source: S&P Global Commodity Insights.

## Key takeaways

### 1. In the Platinum age of refining, margins and prices remain strong in the short term with emerging East-West price dichotomy

- The contraction of capacity in the Atlantic Basin, and expansion East of Suez
- Accelerated and uneven capacity closures have left the global refining system struggling to meet demand, pushing margins to above average levels
- Higher freight, raised operating costs, and refinery outages are contributing to elevated crackspreads
- Exacerbated by the reshuffle of Russian crude, product, and feedstock (VGO) trade
- Structural impacts by the Russia/Ukraine conflict on the refining market look to remain
- Gasoline balances sees no relief in our forecast, while distillate balances may see an upward shift leading into 2025
- Slowing demand growth or accelerated supply additions are the main levers to relieve tightness and weigh on prices/ margins



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