

## **US Group II & III Base Oil Market - Industry Outlook and Forecast 2022-2027**

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### **Report description:**

The U.S. Group II and III base oil market is expected to grow at a CAGR of 6.94% during 2022-2027

The following factors are likely to contribute to the growth of the industry during the forecast period:

- Rising Demand for Bio-Based Lubricant
- Premium Base Oil is Gaining Momentum
- Increasing Demand for Imo Compliant Marine Fuel
- Increasing Trend for Urbanization

### **INDUSTRY INSIGHTS**

Group II and III base oils are premium base stock, constituting more than 90% saturates and less than 0.03% of sulfur. The major difference between the group II and III base oil is the viscosity index. Group II base oil has a viscosity index ranging from 80 to 120, whereas group III base oil has more than 120. With a higher viscosity index, group III base oil is primarily used in industrial lubricants applications and in high-performance engine oils to meet stringent engine oil standards without blending PAO (polyalphaolefin). It is produced through dewaxing, hydrocracking, catalytic dewaxing, and hydrotreating.

The U.S. is emerging as a major supplier in the group II base oil Market

The U.S. is a crucial group II and III base oil market globally. The penetration of premium base oil products is high. The country is a major hub for production as well as consumption of group II and III base oil due to the strong demand by OEMs manufacturers for high-quality lubricants. In addition, stringent regulations with respect to the emission standard, better fuel economy, and the growing trend of sustainability aspect is also the major factor driving the demand for group II and III base oil in the U.S. Chevron Corporation, Exxon Mobil Corporation, Phillips 66, HollyFrontier Corporation, Pure Performance, Neste, and Vertex Energy among others are the key players in the group II and III base oil market in the U.S.

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## RECENT DEVELOPMENTS IN GROUP II AND III BASE OIL MARKET IN UNITED STATES:

- In October 2021, Chevron Global Energy Inc, a wholly-owned subsidiary of US-based Chevron Corporation, announced to acquire Neste base oil business.
- In August 2020, Chevron Corporation announced to produce group oil from renewable.

## U.S. GROUP II AND III BASE OIL MARKET TRENDS AND DRIVERS

### Demand for Premium Base Oil is Gaining Momentum:

The demand for group II and group III base oil market is gaining momentum in the U.S. due to the rise in consumer preference for better fuel economy and engine oil durability and the need to minimize pollution levels. In addition, increasing stringency of automotive regulations to minimize carbon emissions in the environment has motivated automotive manufacturers to switch to high-quality lubricants based on group II and group III base oils. Therefore, U.S. manufacturers switch from group I base oil to group II and III base oil, i.e., premium base oil.

### Rising demand from Bio-based Lubricant:

Bio-based lubricants are the replacement for petroleum-based lubricants. Increasing awareness regarding the ill effects of the chemical on the environment coupled with stringent government regulation boosts the demand for bio-based lubricants. Moreover, bio-based lubricants are renewable and benefit from being adjusted several times before they have an environmental impact. Thus, bio-based lubricants are favored, resulting in significant growth in the market for bio-based lubricants throughout the projection period.

## SEGMENTATION ANALYSIS

### Hydrotreating Is The Largest Segment Amongst Others In The U.S. Group II And III Oil Market

Hydrotreating is the largest segment and is projected to witness similar growth during the forecast period due to its ability to deliver quality base oil products more than other processes. It improves base stock quality, color, and color stability and reduces the level of sulfur, nitrogen, halogen, oxygen, and metals compounds. It is primarily used to produce group II base oil. HollyFrontier Corporation and Vertex Energy are some of the U.S. companies that use hydrotreating technology for producing group II and III base oil.

### Automotive Oil Is The Fastest Growing Segment In The United States Group II And III Base Oil Market.

Since demand for efficient and high-performance vehicles is increasing, automotive lubricants' demand is increasing rapidly as these lubricants play a vital role in vehicle performance and efficiency. Automotive lubricants are the most important part of any vehicle, as almost every vehicle needs lubricants for the smooth functioning of the vehicle. Moreover, it also protects the engine metal surface from corrosion, reducing friction on moving parts and cleaning the engine from sludge. The increasing production and demand for vehicles in the U.S. supports market growth.

### The Southern United States Is Dominating The Market

The Southern US is the largest group II and III base oil market in the U.S. The demand for premium base oil majorly comes from the automotive and construction industry in Southern US. BMW, Ford Motor, General Motors, Nissan Motor Company, Kia Motors,

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and Toyota Motor Corporation are some automotive players operating in the Southern region of the U.S. and consume a major chunk of base oil. For instance, BMW prefers group III base oil for all its automotive brands produced and supplied by Shell. In terms of vehicle production, in 2021, BMW produced 433,810 BMW X series vehicles in its South Carolina plant, an increase of 20% as compared to 2020. Exxon Mobil Corporation, Vertex Energy, Motiva, and HollyFrontier Corporation are producing group II and III base oil in the Southern US.

#### Segmentation by Technology

- Hydrotreating
- Hydrocracking
- Catalytic
- Dewaxing
- Others

#### Segmentation by Application

- Automotive Oil
- Industrial Oil
- Process Oil
- Others

#### Segmentation by Region

- U.S.
- o□South
- o□Midwest
- o□West
- o□Northeast

#### Company and Strategies:

The U.S. group II and III base oil market is consolidated in nature as well as intensifying due to the changing landscape of the base oil market. The rapidly changing technological environment and sustainability scenario can adversely affect vendors as customers expect continual innovations and upgrades. The parameters on which vendors are competing in the U.S. group II and III base oil market are product portfolio, product quality, geographical presence, brand image, and cost differentiation.

The major companies operating in the market are Chevron Corporation (California, U.S.), ExxonMobil (Texas, U.S.), Phillips 66 Company (Texas, U.S.), Dodge (California, U.S.), and HollyFrontier Corporation (Texas, U.S.), and Puraglobe (Florida). These companies compete among themselves for the leading position in the market, with steady competition from local vendors.

The U.S. group II and III base oil market is provided for the forecast years 2022 to 2027 and the base year of 2021. The market is segmented as per Technology, Application, and Geography for the years considered. The report provides a holistic approach to the U.S. group II and III base oil industry to enable customers to analyze the market efficiently.

#### KEY VENDORS

- Chevron Corporation
- Exxon Mobil Corporation
- Philips 666 Company

#### OTHER PROMINENT VENDORS

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- Dodge
- HollyFrontier Corporation
- Pure Performance
- Resolute Oil
- Neste
- Puraglobe
- AGC Refining and Filtration
- Heritage-Crystal Clean
- Safety-Kleen systems
- Vertex Energy

#### KEY QUESTIONS ANSWERED

- 1.□HOW BIG IS THE U.S. GROUP II and III BASE OIL MARKET?
- 2.□WHO ARE THE KEY PLAYERS IN THE U.S. GROUP II and III BASE OIL MARKET?
- 3.□WHAT IS THE GROWTH RATE OF THE GROUP II and III BASE OIL MARKET IN THE U.S.?
- 4.□WHICH PART OF THE US IS EXPECTED TO DOMINATE THE GROUP II and III MARKET?
- 5.□WHAT ARE THE FACTORS DRIVING THE U.S. GROUP II and III BASE OIL MARKET?

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