



THE MARKET REPORT
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10 QUESTIONS

**How my retirement opened
door to industry success P.22**

Lubezine®

Focusing on Africa's lubrication needs

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FOOD GRADE LUBRICANTS *for food safety*

PLUS: CAN FLEXITANKS OVERCOME AFRICA'S SUPPLY CHAIN CHALLENGES? P.24



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COMMITTED TO BETTER ENERGY

Mbele iko sawa

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Mbele iko sawa



**Imarisha engine yako
na TOTAL RUBIA**



Celebrating 60 Years of Service



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FOOD GRADE LUBRICANTS

The recipe for profitable and sustainable food production

Food grade lubricants are superior lubricants in many aspects. Due to the limited selection of base oils and additives available, these mostly are synthetic based products or mineral oils of the highly refined types.



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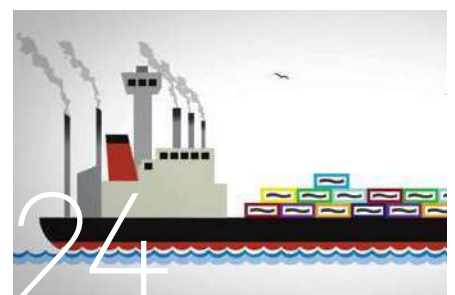
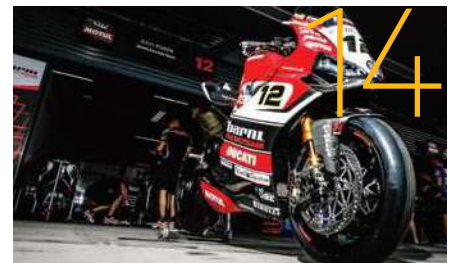
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FOOD SAFETY

Focus on food grade lubricants



James Wakiru

Lubezine Magazine
Editor-in-Chief

Welcome to the 22nd Edition of *Lubezine Magazine* in which we pay attention to Food Grade Lubricants and their impact on food safety. It goes without saying that machinery and equipment used in food processing must be lubricated. The type and how such a lubricant will be applied could have detrimental effects on the safety of food being processed due to possible contamination.

Other than the obvious harm this could have on human health, there is also the long term effect such an incident could pose to a business, legally due to litigation and preferentially due to consumers being naturally drawn away from "affected product".

Food processing and handling complements agriculture which is a big industry in Africa, employing many people directly or indirectly. This ranges from sugar processing plants in Mauritius, Sudan and Uganda, the tea processors in Rwanda and Kenya to the coffee processing plants in Ethiopia and Zambia. The risk of

lubricants inadvertently contaminating the food product does exist during food production, processing and handling.

Appropriate use of food grade lubricants ensures that in such instances, the food will still be safe for human consumption and the industry will be safe from any adverse publicity and litigations that could come as a result.

An important way of penetrating a competitive market is to acquire a stake in an already established local company or partner with a strong local distributor. We see this happening with the recent acquisition of Hass Petroleum by Oman Oil and the appointment of DT Dobie as the exclusive distributors of Motul Lubricants in Kenya.

The acquisition of Hass Petroleum comes hot on the heels of another notable acquisition, Hashi Energy by Lake Oil Limited of Tanzania earlier this year.

We recently introduced a column that focuses on new products and innovations. One such innovation is a mobile app by South Africa's WearCheck which promises its customers vital information about the condition of their components at their fingertips every single moment.

Condition monitoring as a maintenance strategy is taking hold in Africa and with such innovations, the pace can only be faster.

As always, we trust you will be refreshed by news from around Africa and beyond.

Special thanks to you readers, and of course our advertisers for their continued support. Enjoy! ■



Appropriate use of food grade lubricants ensures food will still be safe for human consumption and the industry will be safe from adverse publicity and litigation.



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years



and the best is
yet to come



ACQUISITION

Oman Oil buys 40 percent stake of Hass Petroleum



"I am convinced that this partnership is a major step in ensuring Hass' continued competitiveness across the region and I am confident that with OTI we can achieve our mutual long-term growth aspirations."

The chairman of Hass Petroleum, Mr Abdinasir Ali Hassan (left) and Mr Talal Hamid Al-Awfi during the signing of agreements in Muscat.

Muscat-based Oman Trading International (OTI) is set to acquire a 40 percent stake in Kenyan oil marketer Hass Petroleum, marking the latest deal in the retail business. Hass says transaction, whose value is yet to be disclosed, will enable the company to expand in the region by opening more service stations and participating in capital-intensive

open tender bulk import contracts.

This is OTI's first acquisition in Africa, a global commodities trading company fully owned by the government of Oman. OTI will provide technical expertise and financial backing to the Kenyan firm in an industry where scale is increasingly becoming important.

"I am convinced that this

partnership is a major step in ensuring Hass' continued competitiveness across the region and I am confident that with OTI we can achieve our mutual long-term growth aspirations," Abdinasir Ali Hassan, chairman and founder of Hass, said in a statement. The proposed transaction is subject to approval by regulatory authorities in the various countries in which

Hass operates in.

The company has a market share of about two per in Kenya's fuel retail market and exports products to regional markets such as Uganda, Rwanda, and South Sudan. It on top deals in lubricants and liquefied petroleum gas.

"We are delighted to move onto the next phase of growth for OTI, agreeing our first major investment into Africa with Hass," Talal Hamid Al-Awfi, OTI's chief executive, said in the statement.

"Hass is a unique business with substantial scale and growth potential where we have enjoyed a long-standing relationship; most importantly we share a common understanding and vision of the African energy market."

The multinational is the latest to make an acquisition in the industry after Tanzania's Lake Oil took over the petroleum retail business of Kenya's Hashi Energy. ■

PARTNERSHIPS

Vivo Energy and MIDAS in collaborative agreement

Vivo Energy, the company that distributes and markets Shell-branded fuels and lubricants in Africa, and MESA, the exclusive licensee of MIDAS providing convenient maintenance services and multi-brand quick car servicing in over 97 countries in Africa, Europe, Brazil and Turkey, recently announced a pan-African agreement to

provide new services to their growing customer base.

MIDAS automotive shops will open at a number of selected Shell service stations across Africa for customers to enjoy high quality car maintenance services.

"Today, customers are looking for more than just a fill-up and this partnership's objective is to bring an improved forecourt experi-

ence. Vivo Energy will bring its expertise in the distribution and marketing of oil products and services and MESA will bring its knowledge in automotive spare parts and services," said Mr. David Mureithi, Executive Vice President at Vivo Energy.

"This partnership confirms Vivo Energy's objective to continuously bring innovative solutions and a deep-

ened connection with our customers through enhanced care of their vehicles." He added.

Mr. Alain Flipo, CEO at MIDAS Services said: "MIDAS is very pleased to be part of this partnership that will see Vivo Energy and MIDAS associate our powerful brands in order to provide leading and innovative services to African drivers". ■

As part of its global success, Motul has gained experience as an official supplier to many racing teams in collaboration with vehicle manufacturers in a bid to further technological development in motorsports.



A Bollore Logistics truck.

DISTRIBUTION

Bollore Logistics Zambia bags five-year distribution contract from Total Lubricants

Bollore Logistics Zambia was awarded the contract for the distribution of Total Lubricants. As part of the five-year contract that is renewable, Bollore Logistics Zambia will provide local distribution services of lubricants from two main Total depots in Lusaka and Ndola to 15 destinations within Zambia.

Three trucks have been dedicated for this project and are all fitted with GPS devices to provide Bollore Logistics with real time information on vehicles, drivers' behaviour on the road, routes taken, vehicle consumptions and a wide range of reports to optimize trips and vehicle

consumptions.

According to Olivier Terra, managing director of Bollore Transport & Logistics Zambia, "This new contract with Total gives Bollore Transport & Logistics Zambia an opportunity to strengthen its existing relationship with a major player in the fuel and lubricants business and



This new contract with Total gives Bollore Transport & Logistics Zambia an opportunity to strengthen its existing relationship with a major player in the fuel and lubricants business

offers an ideal entry into the local distribution business in Zambia. It is recognition of our relentless drive for objective performances and continuous improvements which we strive to apply daily in our professional lives."

Drivers will be required to pass Total special induction courses and driver management programmes for dangerous goods including defensive driving courses and continuous drivers training, over and above standard drivers requirements.

A team of six dedicated staff will be allocated to this project including four drivers and two operations supervisors, one in the South and one in the Copper belt. ■

MARKET EXPLORATION

Pertamina Lubricant seeks to penetrate Egyptian market

Indonesian state owned Oil Marketer, under its subsidiary Pertamina Lubricants (PT Pertamina) is looking to develop a lubricants market in Egypt. This was actualized by a recent visit by the Pertamina Lubricants team led by the Sales & Marketing Director Andria Nusa who met and held discussions with six Egyptian companies in the capital of Cairo. These meetings were organized in collaboration with Indonesian Embassy in Cairo.

"We give an appreciation. In general, the majority of companies we met are interested in establishing cooperation with Pertamina Lubricants," Andria said

Due to positive response from a number of Egyptian companies, Indonesian Ambassador in Cairo, Helmy Fauzy admitted being pleased with the outcome of the series of business meetings. "I hope the results of this visit can be followed up mainly in formulating things in the more technical domain," said Ambassador Helmy.

With a population of 92 million people, Egypt is a potential market for lubricants which has to date attracted major multinational brands such as Total, Shell and Mobil. However the team Pertamina team expressed their confidence that Pertamina lubricants can compete with the players in market. ■



Motul Sales Representative, Sameer Ndungu engaging a customer during a display of the Motul Lubricants.

DISTRIBUTORSHIP

Motul Lubricants deal with DT Dobie, Kenya

French-based multinational company and lubricants brand, Motul is now in Kenya through its exclusive distributor DT Dobie (CFAO Group). The lubricant manufacturer focused on designing, production and marketing of premium lubricants for both the automotive and industrial markets via Motultech activity is looking to strengthen its position in Africa, specifically Kenya.

In East Africa, other than Kenya, Motul through CFAO Motors is making progress in Tanzania as part of the company's strategy to develop aftermarket products (Parts, Lubricants, Batteries) into East African markets. In the larger African continent through CFAO, Motul has developed strong and long term partnerships to be present in many African countries. Motul lubricants range

is now available in DT Dobie branches in Kenya's major cities; Nairobi, Mombasa, Kisumu and Nakuru as well as through appointed dealers country wide.

Speaking to the After-market General Manager, Guillaume Granier at the DT Dobie premises in Nairobi, he revealed that the reception of Motul in Kenya is very positive owing to the fact that the quality speaks for itself

and has over the years been recognized as the specialist in synthetic lubricants. "Motul lubricants have been tried and tested and are therefore a trusted brand around the globe", added Guillaume Granier.

The French brand was founded in 1853 and has set foot in over 120 countries. In 1971, Motul was the first lubricant manufacturer to pioneer the formulation of a 100% synthetic lubricant for automotive engines -the 300V lubricant, making use of Esters technology and issued from the aeronautical industry.

As part of its global success, Motul has gained experience as an official supplier to many racing teams in collaboration with vehicle manufacturers in a bid to further technological development in motorsports.

This can be qualified by active and technical participation in some of the world's most prestigious motorsport events such as MotoGP, World Superbike, and 24 hours of Le Mans (cars and motorcycles), Japanese championship Super Formula, IMSA WeatherTech SportsCar Championship, Blancpain Endurance Series-Dakar and Roof of Africa.

In Kenya, Motul has supported racing events and drivers as well as charity events.

Motul's involvement in Rhino charge race in Kenya was through drivers to help them with the top of the range Motul products to be used during the race for engine, transmission, coolant, brake Fluid and care ranges.

Through Motul School, the brand has a fully integrated training program open for all staff and customers network. ■

MARKET EXPANSION

Puma increases foot print in Ghana

An exclusive distribution partnership recently signed between Puma Energy, a global integrated mid and downstream energy company and Graceland Parts Limited, a lubricants distribution company in Ghana, will soon make high-quality lubricants even more accessible to Ghanaians. This is according to a report published by Ghanaweb. "This partnership is a huge step in the right direction for Puma Energy here in Ghana," said

Mr. Myles BouvierBaird, Managing Director of Puma Energy in Ghana.

"We have a rich, high-quality lubricants offering that we are excited to share with our customers and we believe that Graceland, with their vast distribution experience, are a perfect match for our business. But beyond that, we are always excited to enter mutually-beneficial partnerships with local companies. Doing business that will benefit Ghana's growth is of prime importance to us."

Mr. Edward Amponsah, the Managing Director of Graceland Parts Limited said, "This is very exciting. When we considered the level of investment in infrastructure that Puma Energy has made in the country, we knew that the larger goal was our shared value of nation building and opportunity creation for many Ghanaians. We are looking forward to working with Puma Energy to make the brand well known all over Ghana." ■

ADAPT TO ALL TERRAIN

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WITH MORE THAN 160 YEARS OF HISTORY,

Motul celebrates in 2017 more than thirty years of presence in Africa, a key continent in our international development.

Today distributed in more than 120 countries, our products are 100% Made in France and designed to match all international standards and OEM approvals.

Moreover, we adapt to specificities and respond to the constraints of local markets. Our lubricants guarantee a maximum level of performance under extreme conditions of use.

Our local teams of technical and marketing experts are based in various countries of the continent, providing the right support to our local partners.



MOTO 20W50:

Mineral base lubricant for all types of motorcycles equipped with 4-stroke engines, particularly suitable for Chinese and Indian brands. Extended oil interval. Reduces maintenance costs.

8100 X-CESS 5W40:

High performance 100% synthetic lubricant specifically designed for powerful and recent cars. Reinforced engine protection, lower oil consumption and extended drain intervals.

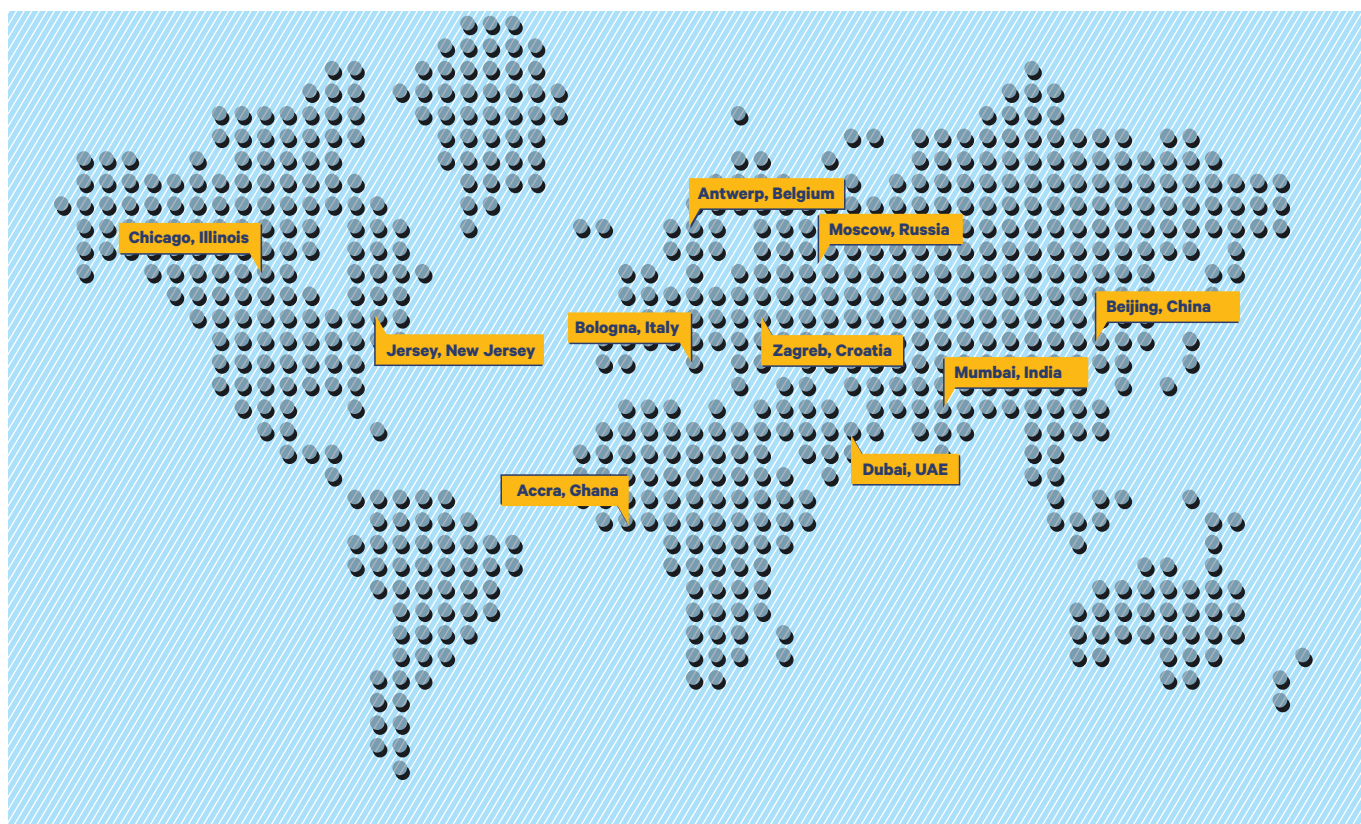
TEKMA MEGA X LD 15W40:

High performance synthetic base lubricant, developed exclusively for Africa. Allows truck fleet managers to gain productivity, reducing the amount of oil drains and maintenance costs, and extending the engine lifetime.



MOTUL

THE LUBES DIARY



September 17-22

World Tribology Congress, Beijing, China

Beijing, China
www.wtc2017.org

September 17-22

World Tribology Congress, Beijing, China

Beijing, China
www.wtc2017.org

October 09-11

ICIS Middle Eastern Base Oils & Lubricants Conference,

Dubai, UAE
www.icisconference.com/mebaseoils

October 09-11

RPI Metalworking Fluids & Industrial Lubricants,

Moscow, Russia
www.rpi-conferences.com

October 09-11

The 50th GOMA Lubricants & Base Oils Symposium

Zagreb, Croatia
www.lubricants.goma.hr

October 25-27

UEIL Annual Congress & General Meeting, Bologna, Italy

Bologna, Italy
www.ueil.org



Nov 29-Dec 01

The 13th Pan American Base Oils & Lubricants Conference

Jersey, New Jersey

Oct 31-Nov 02

The 6th ICIS African Base Oils & Lubricants Conference

Accra, Ghana
www.icisconference.com/africanbaseoils

November 29-30

ACI Annual European Base Oils & Lubricants Summit

Antwerp, Belgium
www.wplgroup.com/aci/event/base-oils-lubricants-summit

Nov 29-Dec 01

Pan American Base Oils and Lubricants Conference



Long life coolant vs conventional coolant



What is the difference between long life coolant and conventional coolant?

A long life or sometimes referred to as extended life coolant represents modern technology coolant. It will last in engine for about 5 years or 240,000Km. Long life coolant are made from easy dissolving and non-precipitating organic components. Conventional coolants have been around for over fifty years and are based on phosphorous silicone technology.

After over one year in service, it gets used up and the chemical compounds start precipitating out and are deposited in the radiator system and on the thermostat and this is why when you use conventional coolants after one and half year you must drain and clean the radiator and fill it with new coolant. Failure to do this will result in radiator rusting and ineffective thermostat control. The system will then start overheating.



If the system starts overheating, can I solve the problem by removing the thermostat?

The answer is NO. If the system is overheating then you have to check the cause which would either be due to engine malfunctioning or poor radiator maintenance. The first step would be to drain the radiator, clean it thoroughly with radiator flush and rinse it with water. Charge the system with new charge of coolant, preferably long life coolant.



Is there any harm in using pure water in the radiator?

Water is a very good heat transfer medium however, water promotes rusting and if the water is hard it will also promote formation of scale. This reduces the ability of radiator to transfer heat resulting in engine overheating. The rust can be deposited on the thermostat reducing its efficiency

to control temperature. The rust can be deposited in the cylinder head resulting in irregular expansion/contraction making the aluminum structure to crack and allow leakage of water into the engine. Water in the engine can cause bearing failure resulting in expensive engine overhaul. The radiator will rust and start leaking requiring frequent water top up.

Using water as a coolant to cut cost is false economics as this causes increased maintenance costs.



What is the significance of colour in coolant?

There is no law that requires that conventional and long life coolant be dyed differently. Normally conventional coolant is dyed green or blue and long life coolant is dyed pink or red. It is important you confirm from the supplier the type of coolant he is offering which must conform to the specification of the engine builder. Most engine builders prefer long life coolants. ■

FAQ, courtesy of Synergy Lubricants Solutions Ltd. Synergy Lubricants Solutions is a Kenyan company that blends and markets own brand of lubricants across all sectors of the economy under the following lubricants brands; Delstar, Slusol and Petsar. They can be contacted via email: info@slusollubes.com/mbaraka@slusollubes.com

CONDITION MONITORING

WearCheck pioneers condition monitoring app

The launch of a brand new interactive customer application (app)- WearCheck mobile is the latest investment in new technology by the Condition Monitoring Company. The new interactive condition monitoring app, enables customers to have vital information about the condition of their components at their fingertips every single moment.

Managing director Neil Robinson believes that WearCheck is one of only a handful of condition monitoring companies in the world, and possibly the first in Africa, to develop and launch an app of this nature.

"WearCheck customers can now download WearCheck Mobile and, at their fingertips via their mobile device, access a host of critical information pertaining to machinery condition. This data is immediately available even while patrolling the factory floor or inspecting mining machinery on-site. Our investment in the creation of the

app is in line with the company's dedication to technical innovation and continuous improvement," said Robinson.

WearCheck's IT manager Eddie Perumal outlined some of the app's features. "Customers can access reports and view their current samples list. As an optional feature, this keeps track of unread web/app reports, and notifications about items on this list are sent out as reminders."

According to Perumal, sample reports can be viewed on the mobile device as either one page ("concise"), or two page ("full") pdf documents. Single or multiple pdf reports can be emailed to different recipients simultaneously.

He continued to explain that the sample data can be submitted, either via the equipment/component search option (recommended), or via the 'submit samples' option, where equipment/component verification is needed for currently-listed machinery. Customers can also view their five-day submission history.

"Using the app is straightforward



Eddie Perumal, IT manager for WearCheck, launches new CM app.

as we have designed it to be intuitive and logical, allowing for ease of use by all generations. The design is an extension of our website look and feel, so the WearCheck branding lends a sense of familiarity. All data is secure and the login process uses the same username/password credentials as our WearCheck Online website. Those customers registered on the website can start using the app immediately", added Perumal.

Perumal also noted that one of the unique features of the app is the interactive key, where customers can ask a diagnostician about a specific sample, and receive an emailed reply on their mobile device.

The app is available for download on Google Play Store or Apple Store using the search words-WearCheck Mobile. ■

ADDITIVES

Songwon introduces new additive for fuels and lubricants

South Korea's, Songwon has increased its antioxidant range of fuels and lubricants with the introduction of Songnox L670. This new nonylated diphenyl amine antioxidant (ADPA) is formulated to be used with the Songnox L135 liquid phenolic antioxidant in automotive formulations to extend the life of fuels and lubricants while protecting equipment and engines.

"Aminic and phenolic antioxidants retard oxidation in the oil by reacting with radicals produced in the lubricant," said Dr. Gerard Mulqueen, Songwon's global business manager of fuel and lube additives. "In engine oils, this helps to extend the drain interval. By preserving the integrity of the oil for longer periods, antioxidants help maintain viscosity, reduce deposit and foam formation, and guard against the production of corrosion species whilst protecting the oil at higher temperatures."

Both the Songnox L670 and L135 additives are manufactured at Songwon's South Korean plant for global supply. "With more than 50 years' experience in stabilization technology, and as a major supplier of antioxidants, we are well placed to extend our additives range for fuels and lubricants," said Dr. Olivier Keiser, Songwon's leader of fuel and lube additives. "We are investing in production capacity as well as in research and development in anticipation of new industry standard requirements."

Songwon, founded in 1965 has its headquarters in Ulsan, South Korea. ■

PROCESS OILS

Cimcool releases new process oils

Multinational Industrial fluids manufacturer, Cimcool recently introduced a new series of process oils formulated for slideway, hydraulic and gear oil applications. According to Bruce Koehler, senior product manager for Cimcool Fluid Technology, Cimcool's customers see value in partnering with vendors who can supply both the machinery and grinding fluids and the

process oils used in the machine tools. "This 'one-stop-shop' product offering coincides well with the new simplified product nomenclature adopted for the oils. For example, Milpro Way 32 is a slideway lubricant developed to meet ISO 32 standards", emphasized Bruce.

According to the manufacturer, Milpro way oils are clear-colored lubricants designed

to reduce friction and "stick-slip" on machine tool slideways. They are fortified with extreme-pressure and tackiness additives to lessen metal-to-metal wear. Additionally, stated Cimcool, these oils offer a uniform oil film to ensure smooth table motion as well as trouble-free lubrication on all plain bearing slideways regardless of table load or way speed. ■





group II base oils

this is what progress looks like

Non-conformance from 28% to zero

Deojay, a dynamic independent lubricant company in Durban, South Africa, struggled with losses. Non-conformance averaged 28% due to the high variance in quality of imported Group I base oils.

The technical director at Umongo, their additives supplier, recommended that Deojay switch to Chevron Group II across the board.

Today Deojay has zero non-conformance, a 19% growth in sales, and a hydraulic oil recognized as the cleanest in Sub-Saharan Africa!

Let's talk about your business.

We can be reached at Chevronbaseoils.com



Jackie Le Roux
Managing Director
Deojay Petroleum

TOTAL KENYA

A conversation on Total Rubia

Total Rubia is arguably one of the most recognized lubricants brand in Kenya and a greater part of East Africa. To gain an insight into some of the salient factors that make this brand such a roaring success, Lubezine's Kanyingi Kuria spoke to Total Kenya Lubricants Sales Manager, Oliver Biyogo.



Tell us about Total Rubia.

Total Rubia is our Heavy-Duty Diesel engine oil available in different variants; the synthetic range, the semi-synthetic range & mineral range. Our newest range that we have availed to the market is the Fuel Economy and Low Ash range to suit the demands of new generation engines. The range of our HDDEO has various Heavy Commercial Engine Manufacturer's Approvals & recommendations such as Mercedes Benz, Scania, MAN, Mack, Volvo, Renault, and Cummins.

Talking about the Rubia range how many variants of this brand have you introduced in this market?

The Total Rubia TIR range has between 30 to 40 products globally. In Kenya, we mainly provide tier one products namely TIR 9200, TIR 8900, TIR 8800. Our flagship brands are top of the range RUBIA TIR 7400 and RUBIA XT. Also popular is RUBIA G 6200 that is purely adapted to the local market requirement.

The main reason behind offering a wide range to our customers is to cater for the equipment/engine requirements first, secondly; the market demands and preferences driven by operating conditions and maintenance practices implemented by customers and thirdly; the customer preferences for example long drain requirements.

We endeavor to review the consumer's application and regimes before recommending a particular product in our Rubia range.

Total Rubia Marketing campaign has made the catch phrase "Mbele iko sawa" very popular in Kenya. Tell us more about this campaign?

Mbele iko sawa has been there for quite some time, more than half a decade old. This is a Kiswahili phrase that literally means, "your car's under bonnet, as a result of using quality oils, is ok". It is a slogan tagged to our Rubia range of lubricants to mean, firstly that one is assured of their engine performance, secondly the life expectancy of the engine is assured and lastly, that using our lubricants will ensure you reach your destination no matter the conditions you operate in.

The Target Audience includes everyone who qualifies to use Total Rubia. From Heavy Commercial Road Transport, Public works, Agricultural machinery to Light Commercial-PSV/Matatus in the market.

Traffic jams in Kenya are a big menace to many Motorists. We know that stop and go as well as excessive engine idling has detrimental effects on the engine oil which can significantly reduce the drainage interval. What services can users of Rubia expect from Total to check

condition of the oil in service?

Due to traffic jams, engines have long idling time which increases the chance of fuel dilution which directly impacts on the lubricity of the lubricant.

This can be destructive to the engines and hence we have invested in offering state of the art oil analysis to uncover the condition of the lubricant in use, the engine condition as far as possible wear of critical components. This is to allow informed decisions to be made by the maintenance crew of the automotive fleet.

We have invested in ANAC (acronym of "ANALysis Compared)-Total's Oil Analysis Laboratory. It's the only regional lab fully dedicated to oil analysis and monitoring of lubricants in service. ANAC has a database of more than 6.4 million samples of engines and transmission components which are used to bench mark and reference the results of the analysis done.

This unique aspect is also used to provide a guide towards optimizing the drain intervals to be adopted under the various operating conditions. The tool also provide a customer assisted prognosis program that is key is making analytical deductions.

Seeing that you have customers spread across the country, how do you guarantee them of the availability of Rubia lubricants at the right time, place and quality?

We have our own blending plant in Mombasa and three key storage locations in Mombasa, Nairobi and Kisumu. We are also backed up by the network of blending plants in Europe, Dubai and Durban.

Through our more than 190 service stations spread across the country and a wide distributorship network, we ensure that the product is available to everyone across the country. The confidence that we offer to our customers is availability of Total Rubia wherever they are and the flexibility and capacity to avail any product for specialized engine requirement such as low ash & FE lubricants. We are also conscious that the market has its own uniqueness in terms of challenges like counterfeits.

We advise our consumers to only make purchases from a trusted source like our service stations and our approved distributors or directly through our B2B model. ■



6th AFRICAN Base Oils & Lubricants Conference




Navigating a challenging landscape through new
developments and investment opportunities



Key topics for 2017 include:

- ➔ Spotlight on the African base oil market in 2017
- ➔ Ensuring supply in Africa: Dealing with Africa's lack of infrastructure
- ➔ Independent lubricant blenders perspective: Maintaining a competitive edge
- ➔ An exclusive insight into the Nigerian market: Should the region be following in its footsteps?
- ➔ OEM technological advances and the growth in demand for higher quality products
- ➔ The move from Group I to Group II: Are we there yet?
- ➔ Synthetic lubricants: How far is the African market from being ready?
- ➔ North Africa – a lubricant marketer's perspective

The ICIS African Base Oils & Lubricants Conference in numbers:

-  **2 days** of presentations and networking opportunities
-  **1** pre-conference seminar: Cost versus Quality in the African market
-  **16** senior level speakers
-  **6 hours** of allocated networking time
-  **95+** attendees in 2016
-  **26 countries** represented in 2016

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A Ducati racing bike.

TECHNICAL PARTNERSHIP

Shell to be Ducati's exclusive supplier of aftermarket engine oils

Global oil marketer, Shell and Italian motorcycle manufacturer, Ducati announced an extension of their technical partnership agreement for another three years, taking it past the 20-year mark. Shell also becomes Ducati's exclusive supplier of aftermarket engine oils for the first time, with the launch of Shell Advance Ducati, Shell's new motorcycle oil developed specially for Ducati road bikes.

The technical partnership between the two brands has been a major success both on and off the track, enabling the continued development of Shell Advance motorcycle oil in the most demanding settings for the benefit of

bikers around the world.

"Shell Advance motorcycle oil has been instrumental in the success Ducati Corse has achieved, aiding our race performance with improved speed and continued reliability. It is extremely exciting to see the partnership extend further to impact our road bikes and now, even our After Sales divisions, so that Ducati customers will benefit continuously from our technical progress as partners on the track," added Claudio Domenicali, CEO of Ducati Motor Holding.

Shell and Ducati began their journey together in 1999, with Shell supporting Ducati Corse in the World Superbike Championship, before the two later joined

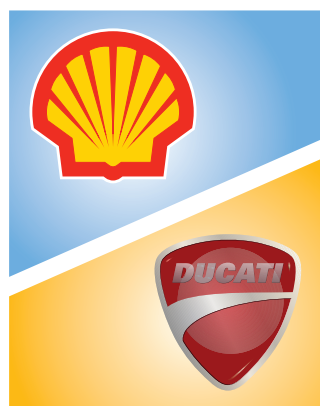
forces to contest the MotoGP World Championship. The partnership is one of the most successful in premier motorcycle racing, with over 150 race wins in total, and seven Riders' World Titles in MotoGP (2007) and the World Superbike Championship (1999, 2001, 2003, 2004, 2006, 2008). All race bikes used by the Ducati Corse factory team in MotoGP run on bespoke race formulations of Shell Advance motorcycle oil.

Carol Chen, General Manager for Consumer Lubricant Marketing at Shell, said: "Over the years, Shell's relationship with Ducati has grown from strength to strength. We have worked together to overcome the challenges of competing at the very pinnacle of motorcycle racing. Now we are bringing collaboration to Ducati riders through our first fill and aftermarket agreements, which means that every Ducati road bike customer can now experience the innovation and performance born of the track from their very first ride."

Shell Advance motorcycle oil is designed to offer complete protection by keeping pistons clean, protecting against engine wear, and protecting bike engines at high temperatures.

"Shell Advance Ultra motorcycle oil is the only recommended motorcycle oil for Ducati road bikes, and our new co-branded aftermarket product, Shell Advance Ducati, complements this and further reinforces the strength of our partnership beyond the first fill," said Marco Brun, VP Upstream and Country Chair of Shell Italy.

New Shell Advance Ducati will first be available exclusively to Ducati aftermarket dealers and workshops in Italy, the US and Canada starting this year. ■



» **20 years**

The duration of Shell and Ducati's partnership

3 years

Period of extension

Exxon Mobil expands Jurong plant to boost production



Inside a typical Exxon Mobil grease plant.

ExxonMobil in a bid to increase production of grease and synthetic lubricants, including Mobil 1, the company's flagship synthetic engine oil, has completed expansion of new facilities in Singapore.

The milestone was recognized at an opening ceremony attended by Singapore Economic Development Board managing director

Yeoh Keat Chuan. The expansion of the Jurong lubricant plant further strengthens the company's manufacturing capabilities and its ability to meet the growing demand for grease and synthetic lubricants products in the Asia Pacific region.

"These new grease and synthetic lubricants production facilities are strategically located close to key Asia



"The synthetic lubricants and grease plants underscore Singapore's emphasis on higher value-added manufacturing activities as we continue growing the chemicals sector in a competitive and sustainable manner."

— Teoh Song Ping

Pacific markets, ensuring the reliable supply of these premium products to our customers," said Teoh Song Ping, Asia Pacific lubricant sales director at ExxonMobil.

Teoh continued to say that their advanced lubricating oils and greases contribute to society's broader sustainability objectives by helping to increase equipment operating efficiency and engine fuel economy, which contribute to reduced energy and resource use, as well as lower emissions.

Both the grease and synthetics plants started operations earlier this year.

"The expansion of ExxonMobil's Jurong lubricant plant is a good example of companies taking advantage of Singapore as a strategic base to capture growth opportunities in Asia," Yeoh said. "The synthetic lubricants and grease plants underscore Singapore's emphasis on higher value-added manufacturing activities as we continue growing the chemicals sector in a competitive and sustainable manner."

"These new production facilities demonstrate the company's commitment to long-term investments here in Singapore," said ExxonMobil Asia Pacific chairman and managing director Gan Seow Kee.

"The expansion of our Jurong lubricant plant both strengthens ExxonMobil's integrated manufacturing base and helps improve the competitiveness of our business and the industry in Singapore", added the MD. ■

ANTI-TRUST

Hyundai India fined USD 13.6m by competition agency

Fair play watchdog Competition Commission of India (CCI) imposed a penalty of USD 13.6M on Hyundai India for adopting unfair business practices with respect to providing discounts on cars.

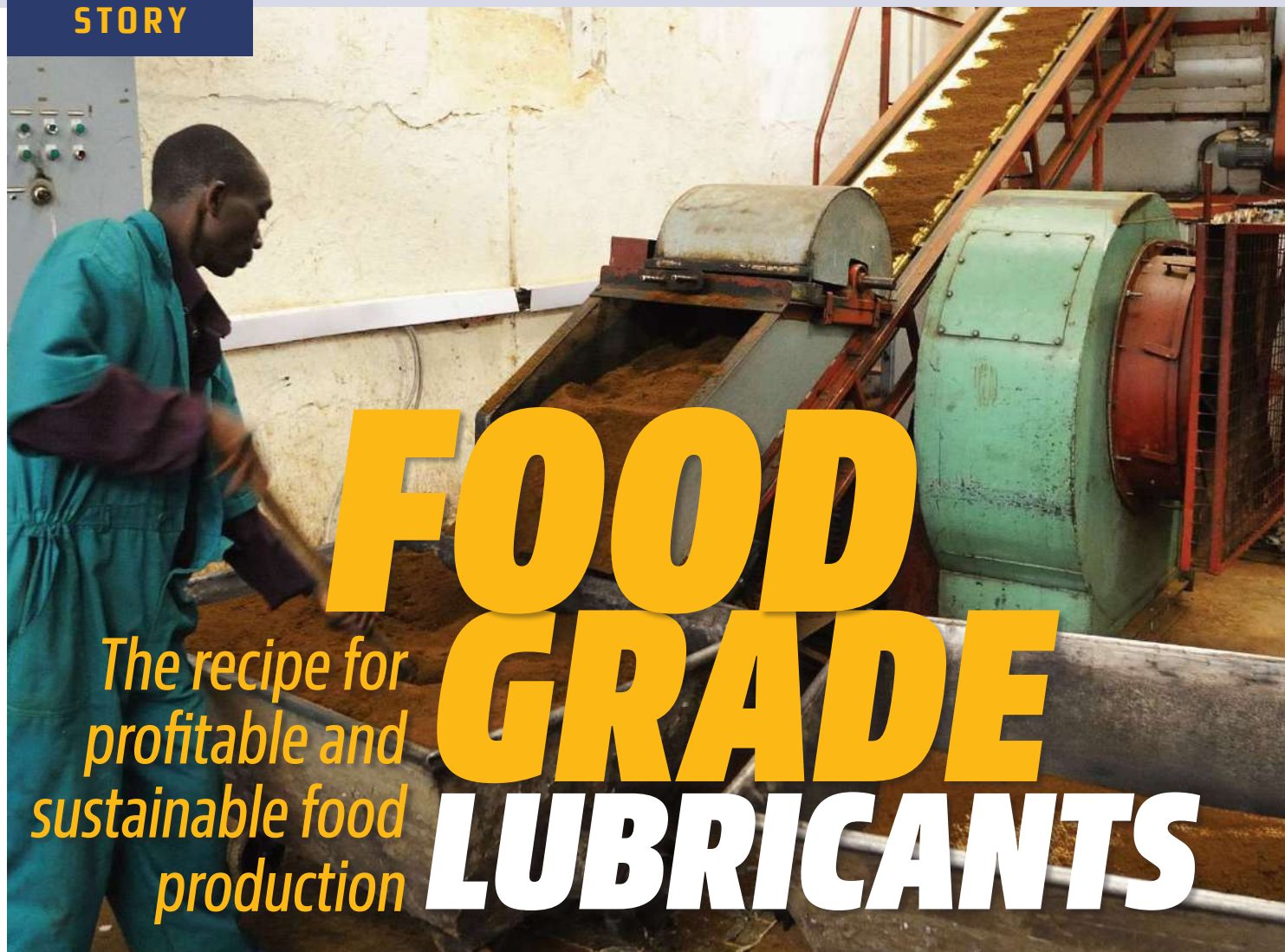
Besides, the company has been directed to cease and desist from following any anti-competitive practice. A spokesperson

for Hyundai India said, "We are really surprised with this order. We are studying the order in detail and will take necessary course of action to challenge the order at an appropriate level to protect the interest of our customers and channel partners by abiding with all laws of the land."

It was alleged that the company followed a discount control mechanism whereby dealers were permitted only to

provide a maximum permissible discount and not go beyond the recommended range.

Among others, CCI said the company contravened competition law through arrangements which resulted into resale price maintenance and by mandating its dealers to use recommended lubricating oils and penalizing them for use of non-recommended lubricants and oils. ■



FOOD GRADE LUBRICANTS

*The recipe for
profitable and
sustainable food
production*



**Andreas
Adam**

Andreas Adam is the International Sales Director at FRAGOL GmbH+Co. KG, a German based Specialty Lubricants developer and producer of private label products with focus on Food Safe lubricants. He has more than 35 years of experience in the lubricants industry working for Castrol, Petro-Canada among others. He is also the Chairman of the H1 Global Food Lubricants Workgroup under the ELGI.



For food stuff producers it is important to limit their liability and one of the ways to do so is to have a number of programs that deal with this. The most common known is HACCP (hazard analysis and critical control points). In short this means a company will look very critical at its whole production, handling and storage process and identify where potential risks are.

Many of these risks are not so obvious and here good technical support by the lubricant service provider can be a help. Think of a fork truck entering a food storage area and be aware that the hydraulics spring a leak under pressure thus contaminating foodstuffs.

Safety

In a food production site, it is the best possible practice to use H1 lubricants, lubricants for incidental food contact, throughout the

Food safety is a daily news topic. Often in a negative way when an incident happens that causes harm to the consumers. Recently in Europe NGO's (non-governmental organisations), drew attention to ingredients found in food that can be questioned if these should be there. Whether these alerts are accurate or not does not matter, but their impact is large on the industries that are connected to our lubricants and food additives. Pharmaceuticals, foodstuff, agricultural and food contact products such as packaging are all confronted with the noted concerns. We as lubricant developers and producers can do a lot to increase food safety and bring a strong support to the companies that undoubtedly will be interested in bringing clean safe food to the market.



Mauritius, Chamarel, Rum, rhumerie factory tour, sugar cane being processed, worker operating cutting machine.



Food grade lubricants are superior lubricants in many aspects. Due to the limited selection of base oils and additives available, these mostly are synthetic based products or mineral oils of the highly refined types.



25%

Some years ago MOAH and MOSH (mineral oil aromatic hydrocarbons and mineral oil saturated hydrocarbons) were found in chocolate, which caused a 25% drop in sales



ISO 21469

A number of lubricant companies have taken safety and responsibility one step further and have implemented ISO 21469.



whole facility. Goal is to reduce the chance for human error and it will strongly support the HACCP plan.

Additionally a well-defined working practice and proper record keeping support will this, reducing the chance of food that is unfit for consumption leaving the site. It is important that also all suppliers of materials like packaging, machine parts etc. are equally aware and are complying with the same safety standards.

When a lubricant leak is found and larger amounts of lubricant have entered the foodstuff this must be disposed of. When a leak is found this means immediate repairs and not the wrong conclusion, "we use a food safe lubricant so we can postpone the repairs till a more convenient moment". The safety of the H1 food safe lubricant is to avoid greater risk to the consumers when

such leak was undetected for a brief period.

Economics

We learned in Europe that negative news related to ingredients found in food will be very expensive. Some years ago MOAH and MOSH (mineral oil aromatic hydrocarbons and mineral oil saturated hydrocarbons) were found in chocolate. Inaccurately one can describe this as oil.

This caused the public to massively avoid products where these were reported, in this case chocolate, during the year-end season resulting in a drop of sales around 25% or multi millions of Euros. In other cases, contamination of food has resulted in the bankruptcy and closure of companies.

Food grade lubricants are superior lubricants in many aspects. Due to the limited selection of base oils and additives available,

these mostly are synthetic based products or mineral oils of the highly refined types. Initially this might seem to be a higher cost, but these lubricants are well up to their task and could save many costs resulting from early equipment failure due to poor performing lubricants.

When we realise that the total cost of lubricants is very small in any food production plant when looking at energy, labour and equipment, but that their impact is high when they perform and are applied well it is clear that saving on the lubricant cost is the wrong place to start. Combined with the HACCP plan that requires immediate action when leaks occur the consumption of food grade lubricants in general is low.

Export

Companies that ship their products overseas will have to meet a number of demands from their export markets. Here it will help, or even make possible, to document the use of the proper, food safe, lubricants. Globally the FDA (food and drug administration – USA) and EFSA (European food safety authority), set many of the rules and regulations that need to be met before allowing foodstuffs into the country. Not using food grade lubricants will prohibit exports. What is good enough for the export market should be at least the standard for your home market.

What are food grade lubricants?

Food grade lubricants, lubricants for incidental food contact, H1, are specially designed products that are made of components that meet the FDA list of components. For the producers these are in the category HX1 and can be found in the white book stating all these components.

The final product, the lubricant, is the commonly known category H1. This is a registration done by INS and NSF and here the buyer of the lubricants should verify if his purchased product is on the listing. A number of lubricant companies have taken safety and responsibility one step further and have implemented ISO 21469. This is a certification and means products need to be H1 but also a range of measures have been taken to warrant clean and proper production of the lubricants and this is documented and audited.

H2 lubricants are NOT to be used inside a food plant, as these show no benefits over common industrial lubricants. These may not come into any contact with food.

3H products are NOT lubricants although »

» they can have similar molecules. These are food additives and have to meet different regulations. If a 3H product is used in a gear box it has to meet H1 regulations. If an H1 lubricant is used as a mould release it has to meet 3H regulations.

The use of good food safe lubricants will protect the users equipment and its brand. The selection of a qualified lubricant partner is a crucial step. It brings knowledge, technical support and cost savings due to increased equipment reliability and reduced lubricant consumption.

Training and education.

Education is the basis of a safe application of food grade lubricants. The staff on the shop floor need to be aware that an increase in oil consumption on a gearbox means this represents a hazard for the company health. If an analysis is done by one of their customers and lubricant is found in the food this can



Suppliers of materials like packaging, machine parts etc. should be equally aware and comply with food safety standards.



mean the end of a lucrative contract for the company and in worst-case scenario, this could close the company.

Purchasing should be able to check the information given by the lubricant sales person and should check if a product is registered or better deal with an ISO21469 certified company. Maintenance people should work with dedicated filling equipment, work clean as if it was foodstuff and document what is used and where, so an increase in consumption is noted immediately.

Lubricants are part of the HACCP of any company. Buyers should verify that all material supplied like packaging meets the same HACCP standards as they are applying to their own company. When these basic actions are done and are supported throughout the whole plant, many risks are eliminated and economics are improved, both due to timely maintenance and risk exposure reduction. ■

CLASSIFICATIONS

Standards for food grade lubricants

By James Wakiru

Food grade lubricants are considered safe since contact with food in small quantities will not render the food non-safe for human or animal consumption. Food grade lubricants are internationally approved by the respective global bodies such as National Sanitary Foundation (NSF) and (USDA) United States Department of Agriculture. The latter had provisions for already known H1, H2 and H3 lubricant designations depending on the food handling equipment but since 1999. Adherence to the stipulated food safety measures trickles down to other observatory and inspection departments in a given country. Many institutions and companies dealing in manufacturing or food production also adopt food safety management systems that enable the whole life cycle from raw materials production to disposal to be controlled with high safety integrity.

National Sanitary Foundation (NSF)

NSF is the only internationally recognized authority for registration of food grade lubricants. This is the most widely used registration standard utilized globally as concerns food grade lubricants

H1 Lubricants: These are lubricants used in food-grade environments where there is a possibility of incidental food contact. In practice, these lubricants may be present in a concentration up to 10 ppm in food (1 g food-grade lubricant for 100 kg food).

H2 Lubricants: These lubricants are nonfood-grade used on equipment and machine parts in locations where there is NO possible contact. Most of the lubricants used in the market fall in this category.

H3 Lubricants: These are typically edible oils and may be used in products that can be ingested like medicine (tablets, laxatives) or used to prevent rust on hooks, trolleys and similar equipment (direct contact).

Food safety management systems

FSMS provides a proactive approach to identify, prevent and reduce food-borne hazards. The main objective is to minimize risks the food industry is regulated by several management systems ensuring food is safe for consumption.

a) GMP: Good Manufacturing Practice

Good manufacturing practice are procedures that can be set by government authorities or by the

manufacturers giving guidance for manufacturing and quality assurance to ensure that a food or drug product is safe for human consumption. A number of countries have legislation on GMP procedures and also quite a number of manufacturing entities have developed their own GMP procedures.

These procedures ensure consistent manufacturing and control. GMP regulations address issues including record keeping, personnel involved qualifications, sanitation, cleanliness, equipment verification, process validation, and complaint handling.

b) ISO 22000:2005

It maps out what an organization needs to do, to demonstrate its ability to control food safety hazards to ensure that food is safe. It can be used by any organization regardless of its size or position in the food chain.

In the food chain, a sequence of the stages and operations involved in the production, processing, distribution, storage and handling of a food and its ingredients, from primary production to consumption, which includes production of materials that could intentionally or otherwise come into contact with food or food raw materials. The standard provides a systematic method for analyzing food processes, determining the possible hazards, and designating the critical control points.

c) Hazard Analysis and Critical Control Point (HACCP)

HACCP is a system that relies on process controls to minimize food safety risks. It offers a systematic approach to the identification, evaluation, and control of food safety hazards. From space missions, it is a small step for men to mandate the system throughout other food manufacturing plants, like Meat and Poultry, Fish, Juice processing and packaging.

It's also recognized on a global basis and seen as a high priority program under Codex Alimentarius, The world food standards authority. The seven principles of HACCP include analyzing hazards, identifying Critical Control Points (CCPs), establishing preventive measures for CCP's, establishing procedures to monitor CCP's, establishing corrective actions, verification process, registration and documentation. ■

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How retirement opened door to industry success

Kenya's lubricants sector is one that has been on the move in terms of growth in the number of players thanks to liberalization of the economy in the late 90's. Lubricants business is big in East Africa's largest economy that is Kenya, so much so that oil marketers are constantly partnering with distributors to make their products available to their prospective clients. Lubezine's Kanyingi Kuria sat down with the long time lubes distributor, **DUNCAN KABIRU** who shared insights on how the industry has evolved since the 90's. He is the founder and Managing Director of LubesChem Kenya Limited — a company that has been an exclusive distributor for a major multi-national oil marketer for years now.

1. What led you into joining the lubricants industry?

I joined Esso in the year 1971 after acquiring my degree in Chemical Engineering with a specialization in Petroleum Technology. I became part of the Sales Department and later in the same year I became in charge of Lubricant Sales and Marketing.

2. What did your work entail at the time?

Being a Sales Engineer, my work was on sales and technical service pertaining to Lubricants in actual service as well as overall after sales service. I was also involved training internal staff on Lubricants and Quality Control.

Other positions I held in Esso were; Consumer Sales Manager in charge of National accounts. Later I was tasked with setting up the Chemicals department that pioneered the penetration of Petrol Chemicals in the East African region.

I also served as Lubes Manager then

International Business Sales Manager up to the point of retirement.

3. You own Lubeschem Kenya Ltd. — a Lubes and Chemicals Distributorship business. Tell me about it.

Yes. I founded Lubeschem in June 1992 after having retired from Esso/Exxon in 1990. By that time like I have aforesaid, I was International Lubes Sales Manager and my job greatly dealt with marine and aviation lubricants, chemicals and other specialized lubes.

As it would turn out, Esso /Exxon pulled out of Kenya in 1997 by selling its interests to Mobil. Just before they left we had had talks on how I could be an exclusive distributor of their lubricants.

So when I retired we resumed the discussion about distributorship of their lubricants and we settled on me being their exclusive distributor but independently as Duncan Kabiru- separately from Esso/Exxon.

I became their sole distributor of lubricants in Kenya, majorly Nairobi and its environs. Part of the agreement we signed was that I would not interfere with their client base but instead develop my own customer base.

I stuck to the agreement and developed my own customer portfolio from 1992 June.

With Exxon selling their interests to Mobil I seamlessly transitioned to being part of Mobil through an official letter but the terms of partnership remained the same.

That's how Lubeschem came to be and it has been in operation since 1992. Lubeschem has been an exclusive distributor of lubricants and specialty chemicals for Esso/Exxon and its successors such as Mobil and the modern day Libya Oil.

4. How competitive is the distributorship business and what are some of the factors that contributes to success in this business?

The business is competitive and especially

now that there are many traders in distributorship. This makes it more difficult for a distributor to quickly build a customer base. However, once a sustainable customer base is established, the distributor can be at ease as long as they are offering the right products and services.

It is very important for the distributor to have a very close working relationship with the lubricants manufacturers / suppliers.

5. The Market – What is the situation at the moment in terms of pricing and how does this affect consumer decision when purchasing lubricants

First of all, customers should avoid placing a great deal of concentration on cheaper prices while ignoring other factors like quality of the Lubricant as well as life of the machinery being lubricated. Pricing is and should never be a sole determinant when purchasing a lubricant.

With liberalization, the market is now flooded with traders of lubricants and this has adversely affected quality of lubricants in the market. Such instances include sale of substandard lubricants at cheaper prices much to the endangerment of the machinery. It is upon the user to get technical advice on lubricants they intend to use.

The end user has to again, take rational judgement on who the marketer of their desired lubricant is and their reputation in the market.

6. Lubricants being technical products, require that the person selecting the oil type to use has some basic understanding on aspects such as grades, correct applications etc. In your view how is lubricants knowledge in the country and how would you rate its importance in influencing the success of any company dealing with manufacturing, distributorship?

Lubricants knowledge in the country is limited at the moment.

Oil marketers require technical departments to address technical needs of clients which in return empower clients to make sound judgement when purchasing the right lubricants depending on what they are looking for.

It is also upon the same Oil Marketers to facilitate training to their distributors and clients alike to ensure they sell right products for right application.

If the distributors and dealers are not adequately informed, chances of misleading the users, knowingly or unknowingly are then inevitable. Training in a bid to relay knowledge about lubricants is of utmost importance and for players committed to training, they are reaping benefits of customer loyalty.

7. You have been involved in the lubricants business long enough to be called an expert. What are the least explored opportunities when it comes to lubricants distributorship and or application?

Well, Technology!

Appreciating that lubes are key to the life and proper working of machinery, consumers should be provided with advice pertaining to lubricants technology.

Information behind functionality of lubricants and their correct application should form part of the sales process.

This of course requires distributors who are knowledgeable about lubricants.

8. There are numerous challenges facing the lube industry, what's that one challenge that continues to clobber the industry and what can be done to address it?

From my experience, the greatest challenge of all is lack of knowledge.

Well, I think training, rationalization will help. In other words- any marketer with a brand that will go into the market should have a team of technical people to educate the distributors and their workers. This is to ensure that users' questions or concerns are satisfactorily looked into.

Counterfeits continue to be a pain in



Customers should avoid placing a great deal of concentration on cheaper prices while ignoring other factors like quality of the lubricant as well as life of the machinery being lubricated.



the neck for everyone marketing genuine lubricants. All manufacturers are concerned and distributors aren't exception to this. Counterfeits are a threat to the reputation of the manufacturers who dedicate their resources and invest heavily in the latest technology just to bring high quality products to their consumers.

9. What is your comment on evolution of lubricants technology over the years?

I would say obviously that technology is not static-it's always developing and changing to meet new demands by OEMs as well as adapting to new inventions.

Many aspects of the lubricants have changed right from blending and all this is mainly being controlled by manufacturers' requirements. API classification has been instrumental in ensuring that these manufacturers' requirements are met.

These specifications deal with performance levels the lubricant must meet and they have been in use since the invention of the first car. With changes in technology, these specifications have changed over time to accommodate new requirements of vehicles being manufactured.

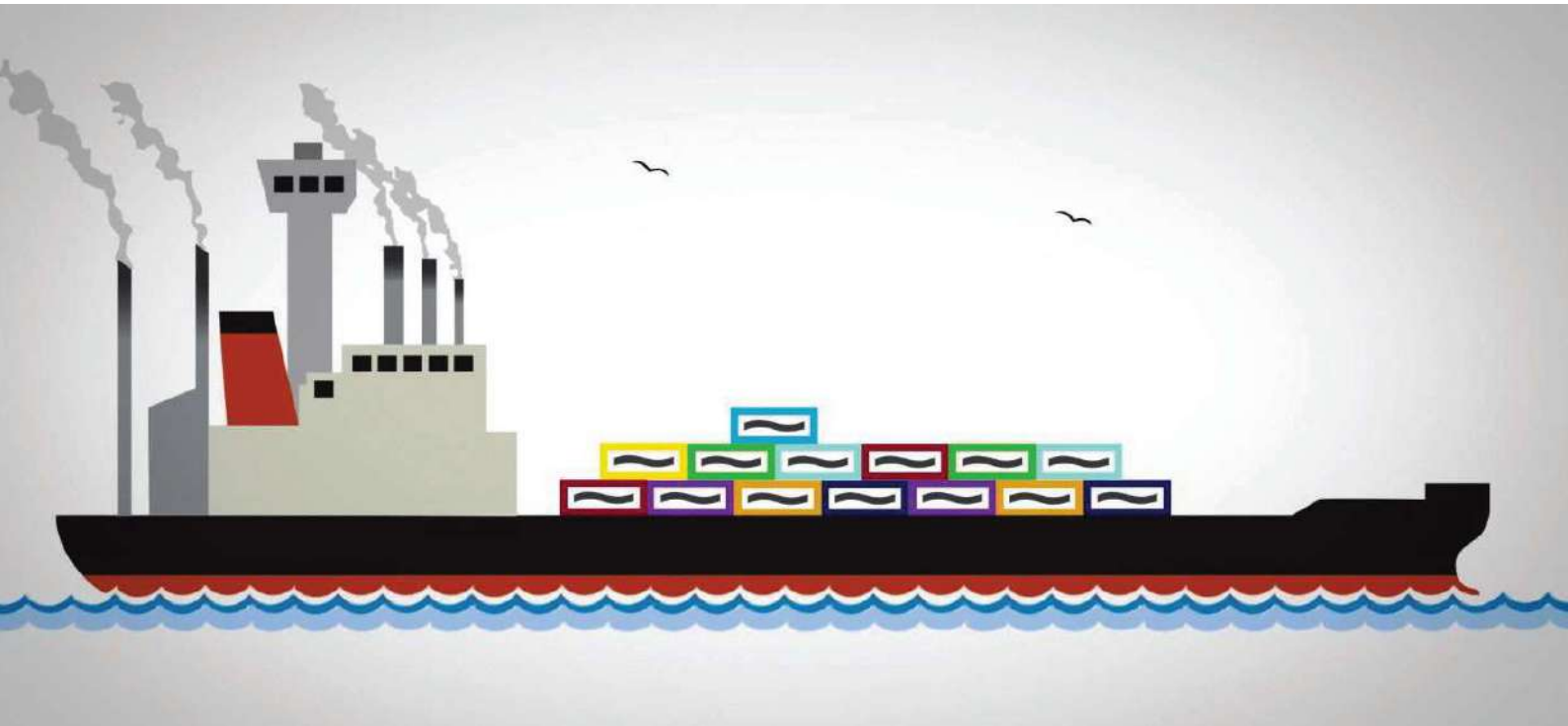
For instance In the 1900's, there was a significant change of the API standards to be observed for diesel and petrol driven engines and this even paved way for further categorization of all vehicles into 3 classes.

10. To the young minds aspiring to join the lubricants industry, what are some of the academic requirements for a successful career in the field?

Knowledge. You require training on Chemical Engineering Specifically Petroleum Technology from the university and am happy to say that our institutions of higher learning are adequately training professionals in petroleum engineering.

There is also the Petroleum Institute of East Africa (PIEA) and they train up to the technician level so young people should take this up. Employers in this field should (other than on-job training) encourage their employees to take up such courses being offered so as to expand their knowledge.

This is a viable career given the fact that Kenya has discovered crude oil from which many petroleum products are manufactured. ■



SUPPLY CHAIN LOGISTICS

Can flexitanks overcome Africa's supply chain challenges?



**Céline
Boutier**

Céline Boutier is Managing Director at Shamrock, the global leader in base oil supply and distribution by flexitanks and 'one stop shop' in the lubricants industry. Shamrock offers a full range of products and integrated services to meet all base oil and specialty blending needs. Clients benefit from consistent supply options and the most favorable logistics and financing terms.

The African lubricant market is confusing and fragmented at the best of times. Trying to navigate each port's infrastructural and logistical nuances, customs and political situations, can be quite daunting – even for the most seasoned African business-doers. And yet, it's a growing market. Globally, the base oil market size is projected to reach USD 41.68 billion by 2020.

Most conventionally, base oils and addi-

tives are transported in bulk vessels and ISO tanks, but since 2010, the trend for base oil transportation by flexitank has been continuously growing.

Flexitanks are soft bags that fit in standard sea freight containers and can be loaded with non-dangerous liquids and dry cargoes – about 20T per container.

They can be used to transport this cargo via road, rail or sea and can also be used as a storage solution.

Supply chain challenges

Not many ports can lay claim to having zero-glitch, smooth operations, but perhaps none so more than a lot of Africa's ports. The factor plaguing ports, such as in South Africa, Kenya and Nigeria, is congestion. On average, cargo will spend nearly three weeks in South-Saharan African ports.

This really hits home when you compare it to the week (or less than) that cargo spends in large ports in Asia, Europe and Latin America.

This comes down not only to insufficient infrastructure, but also that ports are still a cheaper mean of storage than many external facilities.

Normally when vessels are awaiting berth (which could up to 30 or even 45 days), receivers are due to pay demurrage costs. For a 3-5,000-ton shipment, it's around USD 12,000 per day until the vessel is able to berth and discharge the product. However, when there's congestion at the container terminal, demurrage only kicks in from the moment the container has been discharged from the vessel. Shippers take advantage of this at the expense of ports and terminals.

On top of this, customers are given between 7 and 21 days to pick up their products and return the container back to the port.

Sourcing is another challenge. Africa's

CONTINUED ON PAGE 26



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CONTINUED FROM PAGE 24

refining capabilities are limited and it relies heavily on imports. Only a few countries, such as Egypt, Algeria and South Africa, have base oil refineries and some countries have re-refining production facilities. However, even in Egypt, which has the largest capacity, blenders still rely on import for some specific grades.

The local production of base oils is simply not sufficient to satisfy the demand of local blenders and so, a lot of African countries were until now relying on importing the majority of base oils from European and CIS refineries. The challenge here was that the refining sector in Europe was for some time characterized by overcapacity, underutilization, thin margins, and shifting ownership. This led to many across Europe closing over the past few years to decrease exposure to underperforming downstream operations.

Additionally, regulatory and market pressures in some African countries are speeding up the changeover to higher performance lubricants with the increase of import of group II and group III base oils which are mainly being produced in Asia and North America.

With globalization, the change of traditional sourcing hubs and infrastructural limitations, African blenders must look to new technologies and new ways of working to sustain the ever-growing lubricant market.

Flexitanks: The silver bullet?

Flexitanks are by no means a new technology; its roots can be traced back to 1970s when UK shippers began experimenting with moving liquids to South Africa and Australia in heavy duty rubberized bladders. Of course, nowadays the technology has advanced!

Since 2000 there has been an unprecedented growth of this new and efficient method of transporting liquids, as bulk shippers continue to look for new opportunities to lower costs. Current projections are that the global flexitank market will reach USD 922.3 million by 2022.

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The popularity of flexitanks can be boiled down to their cost-efficiency and flexibility. For African importers of base oils, they can be particularly beneficial by providing a means of getting around the logistical limitations of African ports.

Flexitanks optimize the supply chain, allowing the base oils to be loaded directly at the refinery and delivered straight to the blender, without the need for storage or transshipment and, importantly, without any hidden costs. This reduces time spent at the port.

Perhaps the greatest advantage of flexitanks, however, is the benefit of market accessibility. Flexitanks mean that blenders no longer need to be bound by the limited

product offering of local distributors; they can source any product from anywhere in the world. This is especially attractive to SMEs who would otherwise be unable to compete with the big players.

With flexitanks they can order smaller volumes of the best product, thereby limiting their exposure to market price volatility and giving them greater control of their cashflow.

Similarly, exporters can transport their product to anywhere in the world, even landlocked countries. Flexitanks are a multimodal transport so can be used to transport base oils by road, rail and sea.

Ultimately, flexitanks can encourage the production of finished lubricants rather than the import of them, which will inevitably boost the economy.

Shamrock's mission over the past few years has been to connect refineries and blenders together in a more direct and transparent manner using flexitanks as the transportation method.

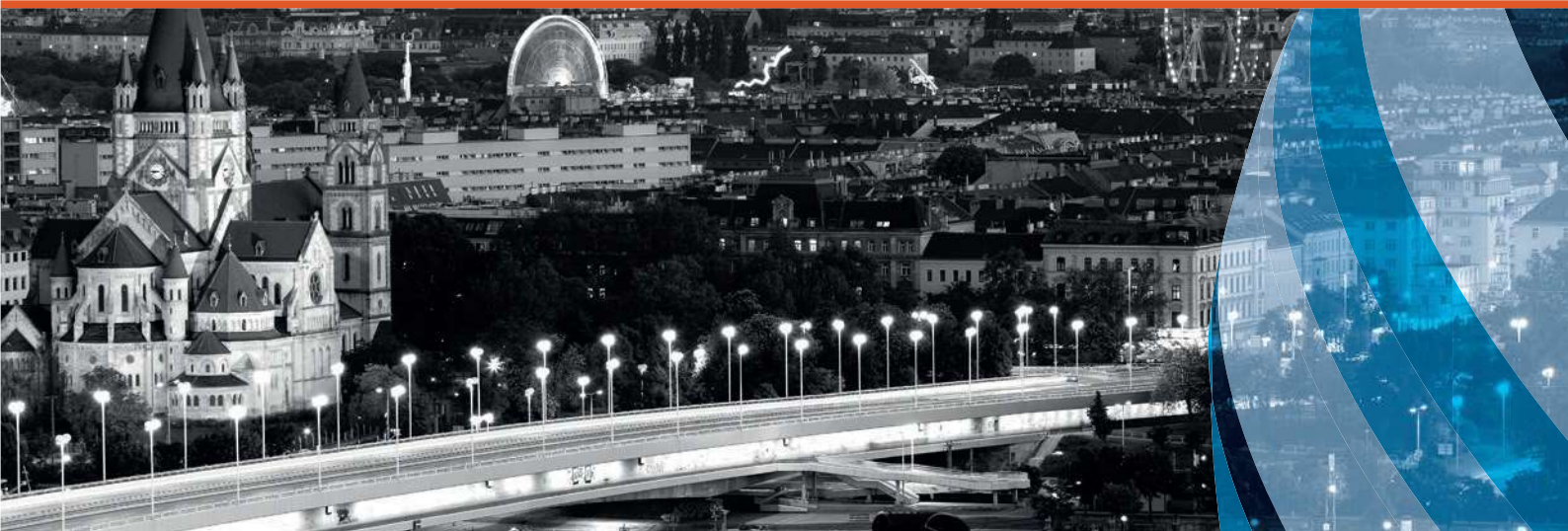
What's next?

More innovations are likely to be adopted in the coming years as more focus is placed on efficiency and cost reduction. Already we are seeing opportunities for storage flexitanks, which allow for a more flexible and economical alternative to shore tanks and additional savings for importers. ■



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MARKET PLACE

Challenges encountered by new entrants into the Kenyan lubricants market

Lubricants marketing and distribution in Kenya dates back to the early 1900s when British colonialists first introduced machinery into the country. The country now boasts of over 60 registered oil companies dealing in petroleum products. According to oil producers and marketers, lubricants continue to have a higher return on capital compared to fuel thus enticing more and more players to join the market.

The major applications of lubricants are in industrial, automotive, marine and aviation sectors. On the global scale, more than 50% of the total lubricant volume is being used for automobile, around 40% is for industrial purposes and rest is for marine industry. USA and China are the leading consumers of lubricants in the world with significant growth in demand expected in the African region in the coming years due to increased applications in mining, building, construction, transport and power generation. This demand narrows down to the all-time fact that Lubrication is at the centre of motion.

For a new lubricants marketer entering a competitive market like Kenya, there exists a plethora of challenges to be dealt with.

Over 80 % of the lubricants market is in the hands of multinational companies that have been active in the Kenyan market for years notably Total, Shell, Libya oil and Kenol Kobil. Consumers have become used to these brands and having them change to a new one is really challenging. "I think the whole problem is about acceptance, consumers and dealers alike are not willing to take up new brands but when they do it becomes easier especially if the brand in question is of high quality and is internationally recognized", noted Rahul Patel, MD, Lubricant City Limited.

Competition is complex and failure or inability of a new entrant to get itself established is majorly on the perception in the market place. This gives rise to suspicion on new lubricants brands especially the locally blended or little known foreign brands. As narrated by Synergy lubricants MD, Baraka

Mohammed, consumers become suspicious of any new local brands fearing that they are not up to standard. He also noted that most consumers perceive lubricants to be sophisticated technical products whose production is always well handled by foreign companies. The same consumers are oblivious of the fact that even international or foreign lubricants brands are at times substandard.

Middle East is victim to production of foreign yet substandard products as has been witnessed by consumers. Even more advanced economies like china as was recently discovered by Alibaba-Chinese e-commerce giant, do fall victims to fake lubricants some of which end up in the African markets.

Illicit trade in the lubricants sector emerges as another challenge for new entrants. This is characterized by lubricants being



Getting distributors to trust in your brand and stock it in whatever capacity is a major challenge for new lubricants marketers

shipped into the country illegally to avoid taxes. This trade practice is unfair to both trusted foreign and local brands. It is so unfair that it makes dealers of these illegally shipped products retail them at low prices to unsuspecting consumers out to get the lowest bid at the point of purchase. "This uneven playing ground might frustrate new and upcoming brands whose products might be of good quality thus cannot afford to sell at a cheaper price", revealed Baraka Mohammed. Additionally, some of these lubricants are made from recycled base oils whose prolonged use could damage machinery.

New entrants into an already saturated market like Kenya, find it hard to establish a network of distributors across the country to ensure prospective consumers get their

products. Distributors in this country are merely traders who are generally not willing to market new lubricants brands preferring instead to stock well established brands that are fast moving. "To get distributors who are going to trust in your brand and stock it in whatever capacity-small or big is a challenge", said, Michael Obingo, Hass petroleum Kenya Lubricants Sales manager. He continued to stress on the limited availability of new lube brands in the market given that new entrants do not always have a good network of distributors so they miss out on potential consumers who would want to use their products even if it's for trial purposes.

Creation of awareness to the target consumers-that is marketing, is expensive in the sense that it has to be conducted thoroughly for one to win a solid customer base. Veteran brands' visibility is overly noticeable from the above the line and below the line channels of advertising. For a new entrant to achieve this, or invest in it substantially is a high risk that not many entrants are ready or willing to take.

It is highly unlikely that a new lubricants brand setting up shop in Kenya will invest in a lube blending plant. All the products will thus be imported which a disadvantage considering that locally blended products enjoy a lower tax regime. The difference in price between a locally blended and an imported product of the same quality can be as much as 15%. With such a scenario, many new entrants are locked out of some sectors of this market that are purely price driven such as the jua kali (informal mechanics) sector.

When it comes to participating in big supply tenders, one of the requirements is provision of technical services such as oil analysis. This requires that an oil company has a fully-fledged oil analysis laboratory manned by qualified technicians. With such a requirement, new lubricants marketers have a limited chance of winning big lucrative lubricants supply tenders that can help them entrench themselves in this market. ■

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