

FIGURE
07

EU REFINERS OPERATE BETWEEN TWO GLOBAL COMMODITY
MARKETS: CRUDE MARKET AND REFINED PRODUCTS MARKET

Source: Wood Mackenzie



EU refining operates between two global commodity markets, the crude market and the refined products market. The 'crack spread' represents the difference between the cost of crude oil and the market sales price for refined products. Generally, product prices rise with crude prices but the drivers of the difference are many. In historic terms, the profitability has started to decline in a context of falling demand (2008).

After a first, yet small, improvement in 2012-2013 a better period started for refineries in 2015-2018. Profitability started falling again in 2019, with a record low in 2020 due to the global pandemic. The situation improved from 2022 with the end of the outbreak. In 2024, the crack spread increased, especially for diesel, as global stocks went below normal levels due to supply disruptions from geopolitical tensions.