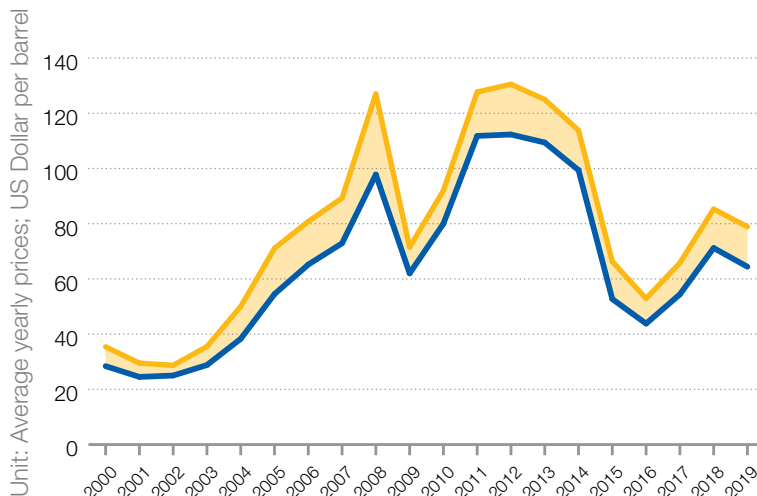
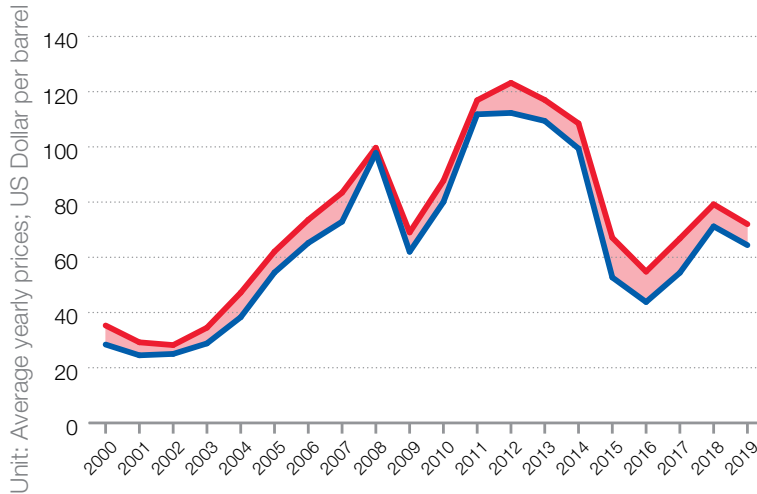


FIG.6 REFINERS OPERATE BETWEEN TWO GLOBAL COMMODITY MARKETS: CRUDE MARKET AND REFINED PRODUCTS MARKET

Source: Wood Mackenzie and Argus Media



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 2015-2019. The spread is generally tight, margins are low and the industry is highly vulnerable to the operating costs that must be deducted from the spread before profitability can be considered.