



Overview – Lubricant Additives

Automotive and industrial lubricants are formulated using a variety of additives, including deposit control agents, viscosity modifiers, anti-wear additives, extreme pressure additives, corrosion inhibitors, antioxidants, defoamers and pour point depressants. These products range from high-volume, low-value commodity types (e.g., detergents and extreme pressure additives) to low-volume, higher-priced compounds (e.g., antioxidants and corrosion inhibitors). Lubricant additives, which are typically classified by their specific function, are blended into base oils to enhance inherent characteristics or to impart new performance properties to the product.

Additive loadings can range from as little as one percent of the total fluid to about one-quarter of the total product. Additive demand is most significantly dependent upon lubricant usage in the motor vehicle and industrial manufacturing sectors, which continue to require higher performing lubricants. Demand is also influenced by the introduction of new lubricant standards, environmental regulation and awareness, and trends in base oil usage (e.g., synthetic versus petroleum).

US demand for lubricant additives is forecast to advance 2.3 percent per year to \$1.7 billion in 2006, with volume demand reaching 1.9 billion pounds. Prices will continue to increase as higher-value, higher-performing additives are used to meet original equipment manufacturer (OEM), consumer performance and safety requirements. In addition, the increasing use of non-petroleum base stocks will require higher additive treat rates.

Nevertheless, growth in additive use will be restrained somewhat by the ongoing trend toward extended drain intervals, lubricant recycling programs and sealed-for-life components. In addition, with increasing base oil quality, the importance and value added characteristics provided by the additive package are diminished as highly refined base oils generally require fewer additives.

Deposit control additives will continue to account for the largest share of demand, based on their critical role in maintaining clean, efficient engines. However, these additives will see below-average gains through 2006, reflecting saturation in key lubricant applications and competition from higher-value additives such as corrosion inhibitors and antioxidants. High-value additives such as antioxidants, defoamers, pour point depressants and other lubricant additives will post above-average value gains, benefiting from tightening performance, environmental and safety standards.

In volume terms, antioxidants will see the best opportunity for growth due to their role in creating higher performing lubricants that can meet the increasingly stringent performance requirements of modern specifications. However, all additives (except deposit control additives and viscosity index improvers) will see average or above-average volume gains through 2006.



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