The overall market for lubricants and functional fluids, synthetic and otherwise, is expected to be flat in volume terms through 2020, largely due to improved equipment and fluid technology that permits lengthening drain intervals. Growth in the market for synthetic lubricants and functional fluids will be spurred by rising penetration of synthetics into markets that have historically been dominated by conventionally formulated products. Consequently, high-value synthetics will increasingly be the focus of marketing, research, and development in the lubricant and functional fluid industry.

Engine oils to see fastest changes

Engine oils will continue to comprise the largest product category and will undergo the fastest changes. Regulatory requirements such as Corporate Average Fuel Economy (CAFE) and evolving emissions standards issued by the EPA will drive a progression toward higher quality engine oils with lower viscosity. The most significant gains in synthetic engine oils will occur in the light vehicle market, which is quickly shifting toward very low viscosities in new vehicles due to automaker recommendations. Through 2020, heavy-duty truck operators will begin moving toward 10W-30 and even 5W-30 engine oils, creating greater opportunities for synthetics.

Group III oils post fastest demand growth in synthetic basestocks

The market for synthetic engine coolants, on the other hand, will continue to contract due to lengthening drain intervals, albeit at a slower pace than that between 2005 and 2015. As a result, demand growth for glycols will significantly lag that for other materials, since glycols are primarily used in formulating engine coolants. Demand for polyalkylene glycols, however, will surge based on their usage as advanced lubricating basestocks.

Group III oils will outpace other synthetic basestocks in demand growth. These materials are less expensive than similar basestocks such as polyalphaolefins, although they do not provide the same level of performance. Group III oils will remain significantly lower in price compared to other synthetic basestocks during the forecast period, following many global refining capacity expansions that have occurred over the past several years.

Study coverage

This Freedonia industry study analyzes the $4.3 billion US market for synthetic lubricants and functional fluids. It presents historical demand data (2005, 2010, 2015) plus forecasts (2020, 2025) by product (engine oil, engine coolant, transmission and hydraulic fluids, heat transfer fluid, metalworking fluid, electrical oil, other), material (glycol, polyalphaolefin, ester, Group III base oil, aromatic, silicone fluid, other), and market (automotive, metal processing, aerospace, energy and power generation, industrial equipment, process industries, other). The study also analyzes company market share and competitors such as AMSOIL, BP, Chevron, Dow Chemical, Eastman Chemical, ExxonMobil, Old World Industries, Prestone Products, Shell, and Valvoline.
Synthetic Lubricants & Functional Fluids Market in the US

Industry Study with forecasts for 2020 & 2025

January 2017

$5400

CONTENTS SUMMARY

Executive Summary

Market Environment

Products

Engine Oils
  - Fully Synthetic Engine Oils
  - Gasoline Engine Oils
  - Heavy-Duty Diesel Engine Oils
  - Other Engine Oils
  - Semi-Synthetic Engine Oils

Engine Coolant (Antifreeze)

Transmission & Hydraulic Fluids

Producers

Hydraulic Fluids

Transmission Fluids

Heat Transfer Fluids

Producers

Low Temperature

High Temperature

Metalworking Fluids

Producers

Formulations

Metal Removal Fluids

Metal Forming Fluids

Other Metalworking Fluids

Electrical Oils

Producers

Gear Oils

All Other Products

Compressor Oil

Turbine Oil

Materials

Glycols

Polyalphaolefins (PAO)

Esters

Group III Base Oil

Aromatics

Silicone Fluids

Other Chemicals, Additives & Blending Components

Markets

Automotive

Producers

Light Vehicles

Medium- & Heavy-Duty Vehicles

Off-Highway Equipment

Construction Equipment

Mining Equipment

Agricultural Equipment

Other Off-Highway Equipment

Metal Processing

Energy & Power Generation

Industrial Equipment

Process Industries

Aerospace

Other Markets

Industry Structure

Market Share

Competitive Strategies

Industry Restructuring

Manufacturing

Marketing

  - Synthetic Engine Oil
  - Brand Name Recognition
  - Sports Sponsorship
  - Engine Coolant

Other Synthetic Fluids

Distribution

List of Participating Companies

TABLES & CHARTS

Executive Summary

1 Summary Table

Products

1 Synthetic Lubricant & Functional Fluid Demand by Product

Cht Synthetic Lubricant & Functional Fluid Demand by Product, 2015

Cht Synthetic Lubricant & Functional Fluid Demand, 2005-2025

2 Fully Synthetic Engine Oil Demand by Type

Cht Fully Synthetic Engine Oils by Type, 2005-2025

3 Fully Synthetic Gasoline Engine Oil Demand

Cht Gasoline Engine Oil Demand by Formulation, 2005-2025

4 Fully Synthetic Heavy Duty Diesel Engine Oil Demand

5 Other Fully Synthetic Engine Oil Demand

6 Semi-Synthetic Engine Oil Demand

7 Synthetic Engine Coolant Demand

Cht Engine Coolant Demand by Market, 2005-2025

8 Synthetic Transmission & Hydraulic Fluid Demand

Cht Transmission & Hydraulic Fluid Demand by Formulation, 2005-2025

9 Synthetic Heat Transfer Fluid Demand

Cht Synthetic Heat Transfer Fluid Demand by Product, 2005-2025

Cht Heat Transfer Fluid Demand by Formulation, 2005-2025

10 Synthetic Metalworking Fluid Demand

Cht Synthetic Metalworking Fluid Demand by Formulation, 2005-2025

11 Synthetic Metalworking Fluid Demand by Product, 2015

12 Synthetic Fluid Demand

Cht Synthetic Lubricants & Functional Fluids, 2005-2025

Materials

1 Synthetic Lubricant & Functional Fluid Demand by Material

Cht Synthetic Lubricant & Functional Fluid Demand by Material, 2005-2025

2 Advantages & Disadvantages of Glycol Basestocks

Cht Glycol Demand in Lubricants & Functional Fluids, 2005-2025

3 Glycol Demand in Lubricants & Functional Fluids

Cht Glycol Demand in Lubricants & Functional Fluids by Material, 2015

Cht Glycol Demand in Lubricants & Functional Fluids by Product, 2005-2025

4 Advantages & Disadvantages of Polyalphaolefin Basestocks

Cht Polyalphaolephin Demand in Lubricants & Functional Fluids

Cht PAO Demand in Lubricants & Functional Fluids by Product, 2015

Cht Demand for PAOs and Group III Base Oil in Lubricants & Functional Fluids, 2005-2025

5 Polyalphaolephin Demand in Lubricants & Functional Fluids

Cht Polyalphaolephin Demand in Lubricants & Functional Fluids

5 Polyalphaolephin Demand in Lubricants & Functional Fluids

6 Advantages & Disadvantages of Ester Basestocks

7 Esters Demand in Lubricants & Functional Fluids

Cht Esters Demand in Lubricants & Functional Fluids by Material, 2015

Markets

1 Synthetic Lubricant & Functional Fluid Demand by Market

Cht Synthetic Lubricant & Functional Fluid Demand by Market, 2015

2 Synthetic Lubricant & Functional Fluid Demand, 2005-2025

3 Automotive Market for Synthetic Lubricants & Functional Fluids

Cht Automotive Market Segments for Synthetic Lubricants & Functional Fluids, 2005-2025

Cht Automotive Market for Lubricants & Functional Fluids by Formulation, 2005-2025

3 Light Vehicle Market for Synthetic Lubricants & Functional Fluids


Cht Light Vehicle Market for Synthetic Lubricants & Functional Fluids, 2005-2025

4 Medium- & Heavy-Duty Vehicle Market for Synthetic Lubricants & Functional Fluids


Cht Medium- & Heavy-Duty Vehicle Market for Lubricants & Functional Fluids by Formulation, 2005-2025

5 Off-Highway Equipment Market for Synthetic Lubricants & Functional Fluids

Cht Off-Highway Equipment Market for Synthetic Lubricants & Functional Fluids

6 Metal Processing Market for Synthetic Lubricants & Functional Fluids

Cht Metal Processing Market for Synthetic Lubricants & Functional Fluids by Product, 2015

Cht Metal Processing Market for Lubricants & Functional Fluids by Product, 2015

7 Energy & Power Generation Market for Synthetic Lubricants & Functional Fluids

Demand for synthetic electrical oils is forecast to expand 2.1 percent per annum to 10 million gallons in 2020, with a market value of $141 million. Growth in synthetic electrical oils will be promoted by a push toward higher efficiency in electrical transformers. Electrical oil is expected to have a service life comparable to the part it is protecting, which may be 25-50 years in the case of power and distribution transformers. As a result, volume growth for synthetics and the overall electrical oil market is limited by the number of equipment installations. Other factors that restrict gains for synthetic electrical oils include widening adoption of dry-type transformers and competition with biobased products.

Electrical oils are used to insulate, cool, and protect high-voltage electrical equipment including power and distribution transformers, circuit breakers, capacitors, switchgear, Xray machines, and insulating cables. Electrical oils must maintain good dielectric properties under severe operating conditions while resisting the formation of acids and sludge, which can shorten equipment life. Although mineral oil is expected to remain dominant in the electrical oil market through 2020, synthetic and biobased fluids will continue to gain ground. These alternative materials can offer fire resistance or biodegradability for sensitive applications.

Synthetic transformer oils can improve electrical efficiency, reducing operating expenses. Additionally, the Department of Energy periodically updates its requirements of the efficiency of newly manufactured transformers. The most recent rule, DOE 2016 Efficiency, increased the required efficiency level of distribution transformers manufactured on or after January 1, 2016. The new rule is expected to support gains in premium synthetic electrical oils.

In general, technological changes in electric power equipment are gradual. Most equipment is based on highly mature technology, and to

Table 4-1 | Synthetic Lubricant & Functional Fluid Demand by Material (million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
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<tbody>
<tr>
<td>Synthetic Lube/Functional Fluid (mil gal)</td>
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<td>$/gallon</td>
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<td>Synthetic Materials in Lubes/Fluids</td>
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<tr>
<td>Glycols</td>
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<td>Polyalphaolefins</td>
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<td>Esters</td>
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<td>Group III Base Oils</td>
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<td>Aromatics</td>
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<td>Silicone Fluids</td>
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<td>Other</td>
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Source: The Freedonia Group

Table 5-6 | Metal Fabrication Market for Synthetic Lubricants & Functional Fluids (million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
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<td>Syn Metal Fabrication Fluids (mil gal)</td>
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<td>Metalworking Fluids</td>
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<td>Heat Transfer Fluids</td>
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<td>Other Fluids</td>
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<td>% metal</td>
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<tr>
<td>Synthetic Lube/Functional Fluid Demand</td>
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</tbody>
</table>

Source: The Freedonia Group

Electrical Oils
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Study #3478
January 2017
$5400

Synthetic Lubricants & Functional Fluids Market in the US
Industry Study with Forecasts for 2020 & 2025

Related Studies

Solvents
US demand for solvents is forecast to rise just over one percent yearly through 2020 to 9.6 billion pounds. Environmental regulations will con-tinue to drive a shift toward less hazardous solvents. Public percep-
tion and consumer preference will also favor green products derived from renewable sources such as soy methyl ester and terpenes. This study offers historical demand data as well as forecasts for 2020 and 2025 by product and market. The study also considers key market environment factors, evaluates company mar-
tabase and profiles US industry competitors.
#3429 .............. July 2016 ............... $5300

Corrosion Inhibitors
US demand for corrosion inhibitors will increase 3.1 percent per year to $2.8 billion in 2020. Growth will be fueled by overall economic expansion, with industries such as chemicals and metals manufacturing particularly benefiting. Recovery in the oil and gas market will take hold by 2020, aiding demand in drilling and hydraulic fracturing applications. This study analyzes the $2.5 billion US market for corrosion inhibitors, with forecasts for 2020 and 2025 by application, market and product. The study also evaluates company mar-
tabase and profiles industry competitors.
#3409 .............. April 2016 ............... $5300

Lubricants
US demand for lubricants will rise slightly to 2.4 bil-
lion gallons in 2020, with a value of $23.5 billion. As most products move toward higher-quality lubricants, transmission fluids, gear oils, and engine oils will be affected by the lengthening drain intervals associated with improvement in fluid technology. This study provides historical demand data (2005, 2010 and 2015) plus forecasts (2020 and 2025) by basestock, formul-
bases and market. The study also considers key market environment factors, evaluates company mar-
tabase and profiles US industry competitors.
#3394 .............. April 2016 ............... $5400

World Lubricants
World demand for lubricants will rise 2.0 percent an-
nually to 45.4 million metric tons in 2019. Growth will be supported by increasing demand for engine oils in new motor vehicles, but will be tempered by longer drain intervals that slow the engine oil aftermarket. The Asia/Pacific market will grow the fastest. This study analyzes the 41.1 million metric ton world lubricant industry, with forecasts for 2019 and 2024 by formulation, product and market for six world regions and 23 major countries. The study also evaluates company market share and profiles industry players.
#3364 .............. December 2015 ............ $6500

Freedonia’s methods

- Establishing consistent economic & market forecasts
- Using input/output ratios, flow charts & other economic methods to quantify data
- Employing in-house analysts who meet stringent quality standards
- Interviewing key industry participants, experts & end users
- Researching a proprietary database that includes trade publications, government reports & corporate literature

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The Freedonia Group is a leading international industry market research company that provides its clients with information and analysis needed to make informed strategic decisions for their businesses. Studies help clients identify business opportunities, develop strategies, make investment decisions and evaluate opportunities and threats. Freedonia research is designed to deliver unbiased views and reliable outlooks to assist clients in making the right decisions. Freedonia capitalizes on the resources of its proprietary in-house research team of experienced economists, professional analysts, industry researchers and editorial groups. Freedonia covers a diverse group of industries throughout the United States and other world markets. Industries analyzed by Freedonia include:

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