

NEWS RELEASE



For Immediate Release

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US Demand for Synthetic Lubricants and Functional Fluids to Reach \$7.4 Billion in 2015

Demand for synthetic lubricants and functional fluids is forecast to climb 8.6 percent per year to \$7.4 billion in 2015, with volume reaching 625 million gallons on annual gains of 3.4 percent. Synthetics will expand their share of the overall lubricant market, propelled by the higher performance requirements of modern equipment, as well as increasingly stringent environmental standards. Gains will also be fueled by the expanding availability of high quality basestocks due to growing investment in new basestock capacity, both in the US and overseas. As the supply of these materials expands, original equipment manufacturers (OEMs) are becoming more willing to recommend the use of high performance synthetic products, particularly as OEMs take steps toward global specifications. These and other trends are presented in ***Synthetic Lubricants & Functional Fluids***, a new study from **The Freedonia Group, Inc.**, a Cleveland-based industry market research firm.

Engine oil will remain the fastest-growing product type through 2015. These lubricants primarily find use in automotive applications, and will therefore benefit from a rebound in motor vehicle output from the declines of the 2005-2010 period, as well as continued gains in the number of motor vehicles in use. The adoption of the GF-5 and API SN engine oil specifications in 2010 and the development of General Motors' proprietary DEXOS1 certified engine oil will further promote gains. In addition to GM, which now requires at least a synthetic blend motor oil for nearly all of its vehicles, other leading vehicle manufacturers such as Toyota and Honda are also making the transition. This will drive demand for synthetics in the engine oil market through the forecast period.

Among the various materials utilized to formulate synthetic lubricants and functional fluids, glycol fluids represented the leading category in 2010. However, glycol's share of the market is forecast to decline due to maturity in the large antifreeze segment, along with a shift toward extended flush intervals and fill-for-life components in automotive design technology. Group III base oils and polyalphaolefins (PAOs) are also key materials, and are projected to expand at the fastest rates through 2015. The enhanced performance properties and environmentally friendly profile of PAOs will boost demand, as will the extended drain capabilities and customizability of PAO basestocks.

US SYNTHETIC LUBRICANT & FUNCTIONAL FLUID DEMAND (million dollars)					
Item	2005	2010	2015	% Annual Growth	
				2005-2010	2010-2015
Synthetic Functional Fluid Demand	<u>3475</u>	<u>4880</u>	<u>7380</u>	7.0	8.6
Heat Transfer Fluids	1750	1850	2185	1.1	3.4
Engine Oils	860	1760	3160	15.4	12.4
Transmission & Hydraulic Fluids	355	555	955	9.3	11.5
Metalworking Fluids	205	215	290	1.0	6.2
Dielectric Fluids	75	100	130	5.9	5.4
Other	230	400	660	11.7	10.5

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Synthetic Lubricants & Functional Fluids (published 02/2012, 282 pages) is available for \$4900 from The Freedonia Group, Inc., 767 Beta Drive, Cleveland, OH 44143-2326. For further details, please contact Corinne Gangloff by phone 440.684.9600, fax 440.646.0484 or e-mail pr@freedoniagroup.com. Information may also be obtained through www.freedoniagroup.com.

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