Argus AdBlue® and DEF Monitor
Issue 21-29 | Wednesday 27 October 2021

EUROPE

Light vehicle AdBlue demand reaches all-time high

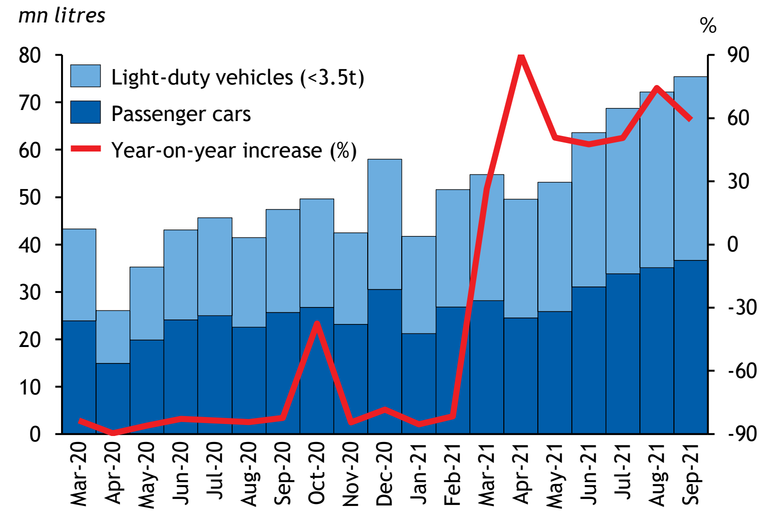
Total demand for AdBlue from passenger cars and light-duty vehicles has been on a clear increase over the past few months. We estimate consumption rose to above 75mn litres in September, an all-time high and a 59pc increase on the year. Light-duty vehicles had a higher share of AdBlue consumption than passenger cars at slightly above 38mn litres for September. Passenger car demand is not far behind, at 36mn litres last month, despite the SCR-equipped fleet being nearly twice as large as the light-duty vehicle one.

2021 light vehicle and passenger car AdBlue demand forecasts 46pc annual growth.

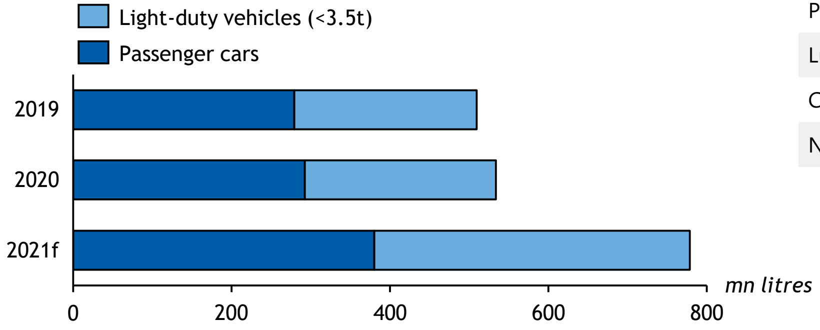
We forecast that light vehicle AdBlue consumption will increase in all European countries in 2021, with total demand expected to increase by 46pc this year, from 534mn litres to 779mn litres, of which 146mn litres in Germany (+27pc y-o-y), 137mn litres in France (+55pc), 114mn litres in the UK (+46pc) and 90mn litres in Italy (+60pc).

In 2021, we expect light-duty vehicle demand to overtake passenger cars for the highest demand, although it will be an almost 50:50 split. Demand from pick-up trucks and vans is forecast to post a 65pc year-on-year increase from 241mn litres in 2020 to 398mn litres in 2021, whereas demand from cars will increase by 30pc, from 292mn litres in 2020 to 380mn litres this year.

Monthly AdBlue consumption estimate – light vehicles



Annual AdBlue consumption estimate – light vehicles



AdBlue consumption by European country – light vehicles *mn litres*

Country	2020	2021f	Country (cont.)	2020	2021f
Germany	113	144	Hungary	6	9
France	88	137	Switzerland	7	8
UK	78	114	Slovenia	3	6
Italy	56	90	Finland	4	5
Spain	31	44	Romania	3	4
Belgium	22	33	Greece	3	4
Austria	20	30	Croatia	2	4
Netherlands	13	22	Slovakia	2	3
Sweden	15	20	Estonia	1	2
Ireland	10	17	Latvia	1	2
Poland	12	16	Bulgaria	1	1
Denmark	10	15	Lithuania	1	1
Portugal	10	14	Cyprus	1	1
Luxembourg	7	11	Iceland	<1	<1
Czech Republic	7	11	Malta	<1	<1
Norway	6	11	**EU+EFTA+UK**	**534**	**779**

EUROPE

Light vehicle sales fall after June high, but begin to recover

European light vehicle sales have fallen since reaching 1.48mn units in June, the second-highest monthly rate this year. Sales in the July to September period were lower than in June, but also lower than during summer 2020 when most lockdown restrictions from the first Covid-19 wave had been lifted, and dealerships could reopen, boosting sales. And car sales this year have also been affected by the ongoing shortage of microchips, constraining supply and reducing car output.

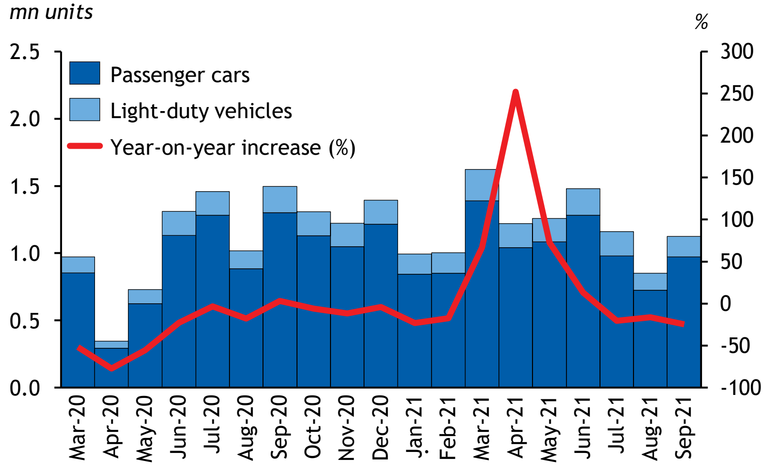
But the trend has begun to reverse, and sales increased by 32pc between August and September. The majority of the growth in September came from passenger car sales, which rose from 725,000 to 973,000 over this period. Light-duty vehicle sales displayed a similar trend, dropping to lows of 125,000 units in August, but increasing to 153,000 units last month – a 30pc rise.

European diesel car sales continue to decline

Latest ACEA data on car sales by powertrain confirmed the declining trend on diesel. Sales of diesel cars fell to 413,000 units in the third quarter of 2021, a 53pc year-on-year decrease and a 34pc decrease from the second quarter of 2021. The UK had the largest decline in percentage terms, falling by 73pc from 90,000 units in 2020 to 25,000 units in 2021. Similar results were observed in Italy, France and Germany, all posting more than 50pc year-on-year declines.

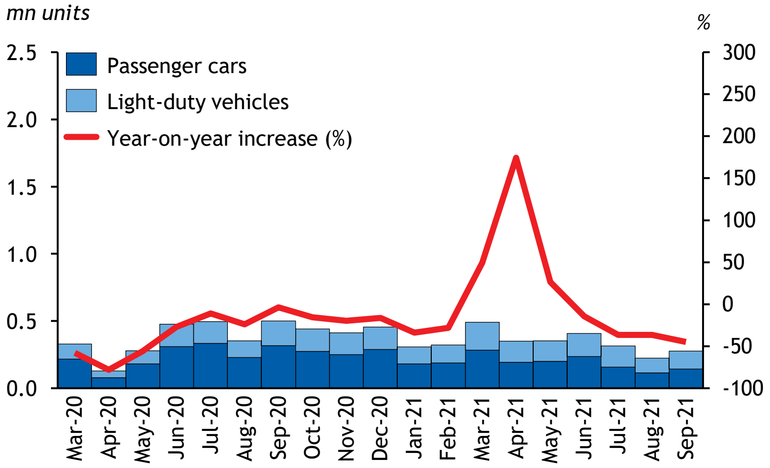
Diesel car sales have been deeply affected by the increased growth of alternatively-powered vehicles (APV), which include battery electric vehicles (BEV), plug-in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs). Electrification in the passenger car segment continues to develop, and market shares of these vehicles have been rising, at the expense of diesel cars.

Light vehicle sales (<3.5t GVW)



— *ACEA*

Diesel light vehicle sales



— *Argus estimate, based on ACEA*

Diesel car sales by European country *'000 units*

Country	3Q20	3Q21	±%	Country (cont.)	3Q20	3Q21	±%
Germany	227	112	-51	Hungary	8	4	-45
France	139	64	-54	Greece	6	4	-36
Italy	132	58	-56	Slovakia	5	4	-36
Spain	70	35	-50	Slovenia	5	3	-49
UK	90	25	-73	Croatia	4	3	-30
Belgium	39	17	-57	Luxembourg	5	2	-57
Poland	22	12	-47	Finland	3	2	-41
Austria	18	12	-33	Netherlands	3	1	-55
Ireland	13	11	-16	Norway	3	1	-56
Czech Republic	16	10	-41	Lithuania	2	1	-50
Sweden	16	8	-51	Iceland	1	<1	-50
Switzerland	14	6	-52	Estonia	1	<1	-44
Portugal	14	6	-55	Bulgaria	<1	<1	-2
Romania	8	6	-26	Latvia	1	<1	-37
Denmark	10	5	-54	**EU+EFTA+UK**	**879**	**414**	**-53**

NORTH AMERICA

US AGU imports up by 6pc year on year

Automotive-grade urea (AGU) imports to the US declined on the quarter in the third quarter of 2021 to 63st DEF-equivalent, a level just 6pc above 3Q20 levels. Imports of concentrated solution comprised the bulk of this, at 80pc of volumes on a DEF-equivalent basis, with AGU prills corresponding to the remaining 20pc.

But the split between prills and concentrate varied from month to month. July 2021 was the month of the quarter with the highest volumes of prill imports, which subsequently declined to negligible volumes, while imports of concentrated urea solution hit the highest year to date in September at 22,000st (34,000st in DEF-equivalent terms).

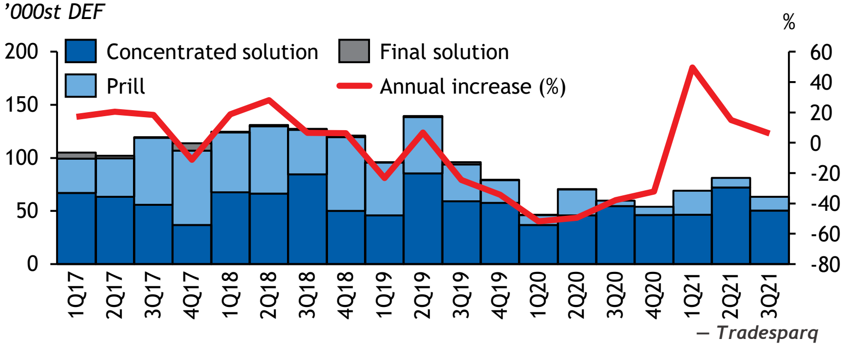
The decline in prill imports relative to other imports and to domestic output has been a running theme throughout 2020 and 2021, and we expect prill volumes to remain comparatively low in 4Q21. Volumes may even decline further, as urea availability from China has been uncertain since 15 October as the government is yet to provide formal guidance regarding the permissibility of exports.

Concentrate continues to dominate on the east and west coasts, but prills have a higher share on the Gulf

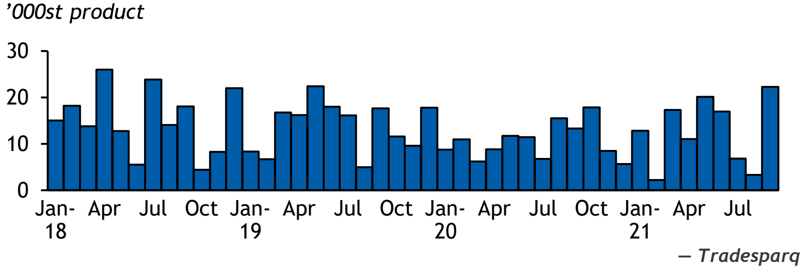
The ratio of concentrate to prills (on a DEF-equivalent basis) varies significantly by coast, with concentrate dominating on the east (83pc of imports) and west (92pc of imports) coasts, but prill imports have a larger share (52pc) on the Gulf coast.

For the first nine months of 2021, imported AGU (prills or concentrate) have corresponded to 5.6pc of total US demand, similar to 2020. The decline in the share of imported product has now stabilised, and we expect it to remain broadly at this level in the short term.

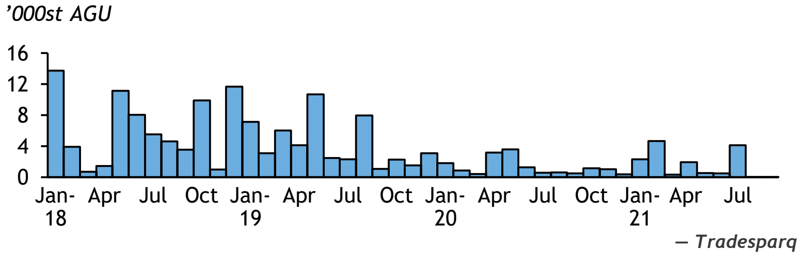
US AGU imports (DEF-equivalent terms)



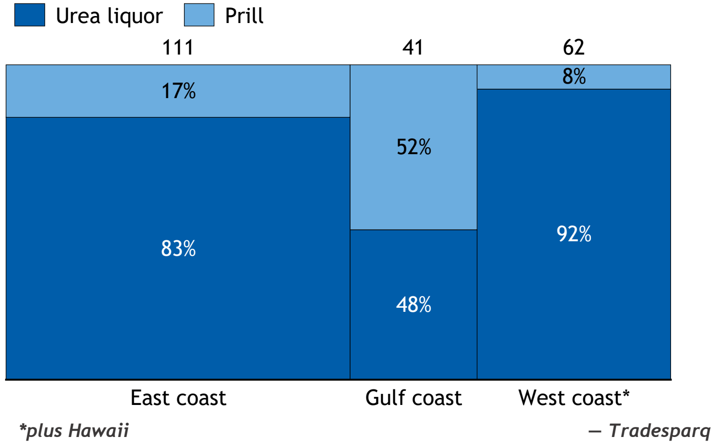
US AUS 40-50 imports



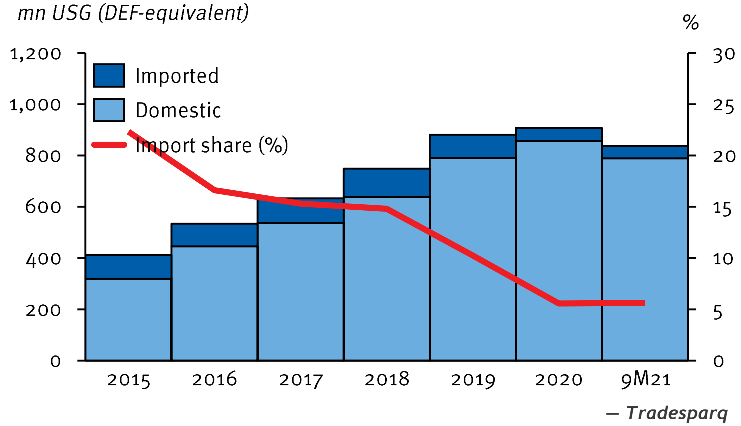
US AGU prill imports



US AGU imports by region, 9M 2021, '000st DEF-equivalent



US DEF consumption by urea source



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