Addressing the API Licensing Fear Factor

Overview

There are motor oil consumers who have a fear of using non-API certified motor oils, i.e. motor oils that do not have the API donut certification. The only way to address this fear is to understand the background and facts as they relate to the API licensing, or certification, of motor oils. Not only do we define the role of the API, we provide insight on actual licensing practices that do not create a level playing field as it relates to the use of synthetic versus petroleum motor oils. We also address the matter of warranty so that the AMSOIL customer can rest assured that they will not void their vehicles warranty by using AMSOIL motor oils – be they API certified or not. In short, we are prepared to respond to the following questions:

1. What is API Licensing?

2. What is the API?

3. Why are some AMSOIL Synthetic Motor Oils licensed and some are not?

4. If I don't use an API Licensed motor oil, doesn't that void my manufacturer's warranty?

5. How do I know that AMSOIL products meet or exceed the minimum specifications of the tests required for API Licensing?

What is API Licensing?

An API (American Petroleum Institute) license indicates that a specific motor oil formulation has passed the **_minimum_** performance standards as defined by a series of laboratory bench tests that include; physical, chemical and engine tests. These tests were selected, and minimum performance standards were set by, the API Lubricants Committee to address specific areas such as engine wear, deposits, fuel economy, emissions, etc. The committee is comprised of representatives from automobile, oil and additive companies.

What is the API?

API stands for the American Petroleum Institute. They are one of the primary trade associations of our industry. API represents more than 400 members involved in all aspects of the oil and natural gas industry. The association draws on the experience and expertise of its members and staff to support a strong and viable oil and natural gas industry. API also provides the opportunity for standards development, technical cooperation and other activities to improve the industry's competitiveness through sponsorship of self-supporting programs.

Why are some AMSOIL Synthetic Motor Oils API licensed and some are not?

There are two primary reasons:

1. There are strict phosphorus additive level restrictions placed on API certified oils that would minimize the full performance and extended oil drain capability of AMSOIL motor oils.
2. The API does NOT allow read-across approvals for synthetic motor oils, and therefore certification costs become unrealistic.

Phosphorus Restrictions

Full API licensing, or certification, would impose strict phosphorous limitations on AMSOIL motor oils. This limitation is the main reason most AMSOIL motor oils are not API licensed. AMSOIL INC. currently disagrees with this limitation and feels strongly that the reduced wear and longer oil and additive life achieved through higher levels of properly formulated and balanced phosphorous content is more important than the arbitrary API phosphorous limit that does not give any consideration to the NOACK volatility level of an oil. When chemistry is developed that will provide superior engine wear protection with reduced phosphorous levels, or NOACK volatility considerations are put in place, then the phosphorous level will become a non-issue.

Keep in mind that every time a person changes their motor oil, they are introducing a fresh quantity of phosphorus from the new oil to the engine's catalytic converter. By the very nature of providing extended oil drains, in a typical application AMSOIL motor oils actually introduce a smaller volume of phosphorus to the catalytic converter over the life of the vehicle, which means it is more friendly to the catalytic converter and is actually a more environmentally friendly product to use.

Read-Across Approvals

In the lubricants industry petroleum motor oils that are API licensed have "**_read-across approval_**." What this means is you can seek API licensing approval on a specific product, with a particular additive package, and then use read-across approval to market this same oil formulation in any number of oil viscosities. For example, if you license a 5W-30 with additive package ABC, then you can market your 10w-30 or 10W-40 engine oils with the API certification donut provided these other viscosities use additive package ABC. The API does NOT allow read-across approval on synthetic engine oils, which means that every single oil viscosity must be individually/separately, certified to carry the API certified donut mark of the API.

API Licensing, via read across approval, works for petroleum products, but the licensing process has a "stranglehold" on synthetic technology. This puts AMSOIL INC. in a tough situation. If we followed conventional practice, not only would we find it necessary to buy "*off the shelf*" oil formula components from specific vendors - and be at the mercy of their pricing - we would not be able to make any major improvements to the lubricant formulas for 2 to 3 years, without new testing and, not surprisingly, even higher associated costs.

The cost for running a test program for a single passenger car motor oil formulation is from $125,000 to $300,000, depending on if the formula passes the tests the first time through, or if it requires multiple test runs or formula modifications to achieve a passing average.

> Note: That amount goes to $275,000 to $500,000 for a Heavy Duty Diesel licensing program on a specific formula.

Once that testing is complete and the formula has passed all of the minimum requirements, it can be licensed for $825 per year for non-members and $625 per year for members. There is also a small royalty fee per gallon sold for all gallons over one million. The length of time between new specifications is now approximately 2 to 3 years, which does not allow a great deal of time to recover testing costs.

To solve this problem, the API should establish base stock interchange guidelines for synthetic basestocks - just as they have for other basestocks - as well as develop interchange guidelines for other components so that manufacturer's and marketers of synthetic engine oils have an even playing field as it relates to API certification costs.

Summary

API licensing of lubricants is a voluntary process. In a perfect world it should ensure that automobile manufacturers and consumers meet a set of "minimum standards." What this means is that if a consumer wants a product that just meets minimum specifications, then they should purchase API Licensed products and get exactly what they paid for…minimum performance! In the future, should these standards be raised to a level consistent with AMSOIL's standards for motor oil performance, AMSOIL will consider licensing all oils. For those that feel pressured to use an API licensed product, AMSOIL offers them. It should be noted that AMSOIL API Licensed motor oils are chemically engineered to outperform all other petroleum, semi-synthetic, and synthetic licensed API motor oils. As such, if it is peace of mind you seek, we encourage you to use them:

- ❑ XL 5W-20 Synthetic Motor Oil
- ❑ XL5W-30 Synthetic Motor Oil
- ❑ XL10W-300 Synthetic Motor Oil
- ❑ Dual-Base 15W-40 Heavy-Duty Diesel/Gasoline Oil

AMSOIL does offer superior performing motor oils that are not API licensed for all of the reasons explained in this document. They provide our customers with alternatives to the commodity products typically available in the market today. If you want the convenience of extended drain intervals and top performance from your vehicle, AMSOIL has engineered the very best motor oils that money can buy.

If I don't use an API Licensed Motor Oil, doesn't that void my manufacturer's warranty?

Fortunately, the law does not allow manufacturers to "void your warranty" simply because of the brand of oil you use, the specifications it meets or the miles you drive between oil changes. To be specific, they cannot deny fixing your broken radio, faulty valve or cracked piston because you used an AMSOIL non-API licensed motor oil, or because you've gone more than 3000 miles since your last oil change. Denial of warranty coverage must be specifically due to an oil related failure. All courts of law will rule against any manufacturer or dealership that tries these warranty shenanigans.

If any automobile dealership insinuates that your warranty will be void if you use AMSOIL products or utilize extended drain intervals, let AMSOIL INC. know the name of the Dealership, the address, the owner's name and the name of the employee that made this statement. Mail to:

> AMSOIL INC.
> Attention: Technical Services Department
> AMSOIL Building
> Superior, WI 54880

> or e-mail to tech@amsoil.com.

They will almost never put it in writing, but if they do, please send us a copy of that, too. Either way, we will send them a letter informing them they must cease the intimidation of our customers.

Only if the oil is determined to be the direct cause of the engine problem can a manufacturer or dealership deny warranty coverage for that specific problem. In this situation the AMSOIL warranty would apply, and the AMSOIL Technical Services Department would assist you in processing your claim and in getting the vehicle repaired. That's our pledge to you!

AMSOIL INC. sells millions of gallons of oil per year and warranty claims are a rare occurrence. If you ever have a warranty problem with an automobile manufacturer or dealership, AMSOIL will assist you by analyzing the problem and providing data supporting the fact that repairs should be made under the vehicle manufacturer's warranty. If this does not resolve the problem, AMSOIL will submit a claim with our insurance company and request that an adjuster have the vehicle repaired and pursue legal settlement later if necessary. The fact is there has never been an engine failure attributed to the non-performance of AMSOIL products, and we do not expect there ever will be. If there ever was, both AMSOIL and our insurance company would make certain your problem was resolved.

How do I know that AMSOIL products meet or exceed the minimum specifications of the tests required for API Licensing?

First, AMSOIL INC. works closely with major additive companies to design the top performing passenger car and heavy-duty diesel motor oil additives. These additives have already passed all of the API licensing requirements in a petroleum or synthetic based formulation. AMSOIL's experienced R&D Chemists work with the additive company to maximize the amount of additive used and to boost the additive package in selected performance areas to achieve an optimum performing additive package for reduced wear and extended drain intervals. This is unlike the vast majority of companies who, because additives are expensive, use the minimum amount of the least expensive additives required to meet the minimum API requirements.

AMSOIL utilizes a blend of carefully selected synthetic basestocks with known performance characteristics as a replacement for the petroleum basestocks to optimize performance in areas of lubricity, volatility, viscosity index, oxidation and nitration resistance, pour points, flash points, deposit control, soot handling, emissions, etc. We also utilize a highly shear stable VI improver to ensure viscosity retention throughout extended drain intervals. This replaces the inexpensive and less shear stable VI improver used in the API licensed petroleum formulas. AMSOIL does laboratory bench tests before running field tests to verify the superiority of the synthetic formula in actual use. We also continue to monitor the performance of the oil through close scrutiny of tens of thousands of oil analysis tests per year across a wide variety of vehicles, all around North America and the World. AMSOIL INC. has been collecting used synthetic oil samples from passenger cars since 1982. No other oil company has such a vast database documenting the performance of synthetic lubricants over extended drain intervals.

AMSOIL products and formulations outperform API licensed oils. They're engineered that way! Period.