

# Middle East invests???



**The Middle East is one of the most vibrant regions for the tank storage industry, with continued large-scale investments developing at a rapid rate and over 40mn cm of independent tank storage in the region alone. Nick Powell, Event Director of Easyfairs' Tank Storage Portfolio and Tank World Expo,\* reports.**

**T**he growth of Fujairah in particular is a key driver in the continued rise of the bulk liquids storage sector in the Middle East. It is perfectly placed to become the key petroleum products hub, and thus will alter global trade flows and most likely strengthen flows into Asia. More than 85% of the 17mn b/d of oil that pass through the Strait of Hormuz are going directly to the Asian markets. As well as being the second most productive region in terms of bunkering capacity, Fujairah is now ranked as the third largest oil storage and products trading centre in the world, behind Rotterdam and Singapore.

Fujairah is just one of many regions in the Middle East that is driving bulk storage demand. There is more refining capacity being built in Saudi Arabia and the UAE (where capacity is set to double in the next few years), reaffirming the Middle East's position as a key exporter. Saudi Arabia has also boosted its output according to OPEC, responding to demand from buyers in Asia.

This year, the Gulf Cooperation Council (GCC) States is focused on strengthening oil refining capacity.

The bulk of all global refinery projects are coming into the GCC region and it is estimated that around 1mn b/d of additional refining capacity will be online by 2017. There are also joint refinery building projects between Kuwait Petroleum Corporation, Saudi Aramco, China, Qatar Petroleum International, Rosneft and the Venezuelan BDTSI company, which will lead to an increase in exports and a decrease in oil imports in GCC countries.

Furthermore, the Kuwait Petroleum Corporation, Petrovietnam and the Japanese oil company Idemitsu Kosan have reportedly agreed to build an oil refinery and petrochemical complex in the north of Vietnam at a cost of \$9bn, with production expected to start in 2017.

#### Plans and projects

With the market moving at such a fast pace and the region benefitting from the continued rise of the bulk storage movement, it is no wonder that there are an array of potential builds, projects and plans all set to advance the Middle East even further forward.

Fujairah, as expected, will be

playing an increasingly important role in the future of the region, with extra capacity already being constructed. An extra 1.95mn cm is expected to be built by the end of 2015 by Aegean, Concord and METS to mention just a few. This construction work means that the total storage capacity in Fujairah alone, will reach 8.67mn cm.

In addition to this, a refinery is also being constructed in Fujairah, as well as two very large crude carrier (VLCC) berths. Furthermore, the VTTI Fujairah Terminal's tank farm project, which has a crude storage, processing and fuel oil blending facility, will be completed by April 2016.

Oman is another area that is set to expand, with the Port of Sohar increasing its output from Oman Oil Refineries and Petroleum Industries Company (ORPIC) by an extra 70,000 b/d. ORPIC has also awarded a major project management consultancy contract to Netherlands-based Tebodin for its joint venture project, ORPIC Logistics, in the sultanate. As one of Oman's largest companies and one of the most rapidly growing businesses in the Middle East's oil industry, ORPIC has a major role to play in the continued success of the

region. The development includes a newly refined products tank terminal, with 14 tanks near Muscat International Airport, along with a 225 km long, 18-inch multi-product pipeline between the refinery in Sohar and the new terminal. The project is set to take more than 30 months to complete, with an estimated 100,000 man-hours clocked up.

Sticking with projects in the Oman region, ORPIC is building a fuel storage terminal, which will form part of a larger oil distribution centre at Al Jifnain. The company is investing \$80mn in the project, with total investment in the terminal and associated fuel pipeline projects estimated to be around \$320mn. The new 'world-class' facility will host 12 tanks, with a total capacity of 170,000 cm designed for products including gasoline, diesel and jet fuel.

These examples are just some of the projects that are currently in motion, with many still just in the infancy of design stages. However such rapid growth isn't unfettered – there are challenges that need to be overcome.

#### Market trends

The fluctuating oil price, on a global scale, is one of the industry's

main and most disruptive issues. Oil is a commodity and, as such, it tends to see larger fluctuations in price than more stable investments such as stocks and bonds. OPEC is the main influencer of fluctuations in oil prices – controlling 40% of the world's supply of oil, it sets the production levels necessary to meet global demand. It had vowed to keep the price of oil above \$100/b for the foreseeable future, but in mid-2014 the price of oil began to tumble, falling to below \$50/b.

In essence, the fall in oil prices was due to a lower demand for oil in Europe and China, coupled with a steady supply of oil from OPEC. The resulting excess supply of oil caused prices to fall sharply. Political instability in the Middle East can also cause oil prices to fluctuate, especially as the region accounts for the lion's share of the worldwide oil supply.

However, anyone following oil prices knows that we are in contango, a somewhat unusual situation in which a futures price for oil – a promise to buy and sell crude at a certain price in the future – is higher than the expected future spot price. This market contango is making the storage industry rather favourable at this current point in time,

especially for storage operators on a global scale (see p12).

Also altering the progression of the Middle East bulk market is the news that OPEC members have committed to a stable and balanced oil market, agreeing to maintain a current production ceiling of 30mn b/d. At the 167th OPEC conference in Vienna, it was noted that the market is 'comfortably supplied' due to the recent build up in stocks and the surplus of oil in both Organisation for Economic Co-operation and Development (OECD) countries and non-OECD countries, which has resulted in stock levels that sit above the five-year average in terms of absolute volumes.

#### Unparalleled growth

The Middle East bulk liquid storage sector is in a constant state of flux, with numerous variables affecting productivity and profitability at any one time. However, in its current form, the region is experiencing an almost unparalleled growth. ●

\*Tank World Expo will take place on 12–13 April 2016 at Dubai World Trade Centres, UAE. For more information, visit [www.tankworldexpo.co.uk](http://www.tankworldexpo.co.uk)