The growth of tank storage in the Middle East

Tank Storage Middle East 2015 surpassed expectations with a thriving exhibition hall supported by a two-day conference focusing on the growth of tank storage in the region.

The UAE Minister of Energy, His Excellency Eng. Suhail Mohamed Faraj Al Mazrouei, officially opened the exhibition and met with various exhibitors before delivering a keynote speech to delegates where he said that the UAE’s infrastructure is attracting world leaders in oil and gas.

He stressed the importance of specialist exhibitions and conferences to ‘find solutions for some of the challenges we are facing in the industry’.

‘We are at a very interesting time for the industry,’ he said. ‘We are a major oil producer and our investments are intact to make sure our stand as a major oil producer stays.

‘We will continue in our upgrades in our facilities and adhere to the best international safety standards.’

Malek Azizeh, commercial director of Fujairah Oil Terminal, began the first day of the conference with an overview of the developments in Fujairah.

He said investment into the area makes Fujairah ‘well placed to respond and manage demand patterns in the region’.

Additionally, he set out how the Fujairah Oil Terminal FZC – the first independent crude oil storage terminal in the Middle East – will improve the region, with its 1.2 million m$^3$ of storage capacity spread across 34 tanks.

Diversification in Fujairah is the way forward for sustainable growth, said Azizeh. ‘You have to bring something new to the mix and Fujairah is doing that.’

The opportunities and challenges of Fujairah as an oil trading hub were explored in greater detail by COO of Socar Aurora Nizam Noorali.

A significant opportunity is Fujairah’s strategic location just outside the Strait of Hormuz. Throughput of 60 million m$^3$ is expected through the port when the 2015 capacity becomes operational, which will boost business growth to the Emirates.

However, challenges for the region include the growing scarcity of land – an issue which has been tackled with by the Fujairah Northern Land Reclamation Projects - as well as firefighting capability. Two common sea water intake pits will be built to support a sea water back up supply.

‘The opportunities are great for Fujairah,’ said Noorali.

Khalil Almoayed, a consultant at FGEnergy highlighted the major refining projects in the Middle East.

He said that fuel oil demand will be replaced by gas and that there will be a move towards clean fuels in the future. He also warned that competition from Europe is strong and intense.

‘In the past the Middle East targeted the east with excess volumes,’ said Smith. ‘What will happen is that the west will become bigger and bigger. The east has to target its products towards the west.’

Examining the Middle East market, Muthukrishnan Prabakaran, global head of terminals for Gulf Petrochem said that demand for storage capacity is rising and that oil storage capacity at Fujairah
will increase to 7.8 million m³ as demand for refined products is expected to grow by an average of 1.8% a year.

He added that the economies of scale are presenting a compelling case for consolidations, acquisitions and mergers – which results in terminals being effectively used.

SOHAR Port and Freezone commercial director Edwin Lammers focused on developments at the Port of Sohar in Oman. He described how Oiltanking Odfjell serves trade and cargo flows within the Middle East as well as flows from the Gulf to other continents and regions.

Expansion projects for the port include increasing output from ORPIC Refinery by an extra 70,000 barrels per day by 2018 as well as warehousing and land development.

Koh Chun Peng, business development director for Rotary Engineering looked at the oil and gas silk road and linking the Middle East to the Far East. He said that the relationship between the Middle East and Asia is crucial, with more than 85% of the 17 million oil barrels per day passing through the Strait of Hormuz going to Asian markets.

Akber Naqvi, executive director of Al Masah Capital provided an overview of the global market factors playing a role in the demand for storage capacity specifically in the region.

Currently, the oil and gas storage service market is around 281 million m³ globally and with oil storage accounting for around 80% of the market – growth in this area has been steady and consistent, Naqvi said.

He explained that the current contango market is also a key driver in the demand for, and construction of, storage facilities as oil prices fall.

‘The more volatility in the market, the more storage is needed,’ he said.

Current trends outlined by Naqvi during his speech include the fact that third party storage companies are focusing on oil storage and that there is growth in the use of above-ground storage tanks.

Tony Randerson, technical manager of SKA Energy drew on the experience of building and operating storage in the Khor Al Zubair port in Iraq and the particular challenges it presented. The first stage of the project - the construction of fuel storage tanks - was fully commissioned in August 2013.

Further development of the facility will involve the construction of 6 storage tanks dedicated to gasoil, a separate firewater and foam system as well as 1.5 million litres of water storage.

The conference then explored the opportunities of constructing storage in Africa. Chief executive officer of Moteriba Terminals and Logistics, Dipo Salimonu, said that based on the global drivers of storage demand – GDP, population and energy demand – Africa is a promising region for development.

Africa’s fuel demand growth is faster than China and India, Salimonu said, but the continent’s refining comprises 2.9% of the world’s total throughput.

He also identified three countries that are interesting for storage development – DR Congo, Benin Republic and Angola.

VOTAB director Sandra de Bondt finished the final day of the conference with an overview of the Safety Maturity Tool, which was developed following the Odfjell incident in 2012.
That concluded two days of networking, learning and sharing good practice at Tank Storage Middle East. The exhibition and conference team look forward to returning to the Abu Dhabi National Exhibition Centre between 25 and 26 January 2016.