

# Fujairah's Next Steps to Emerging As a Fully Integrated Hub by 2020

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**A**s the UAE's only emirate on the Arabian Sea coast, Fujairah is at the heart of the new energy corridor opening up East of Suez to Asia. The emirate is already established as a world-scale bunkering and storage center alongside Rotterdam and Singapore and is set to benefit in the next few years from storage companies' plans to expand crude and petroleum product facilities.

In addition to this expected increase in storage of 75% by 2020, Fujairah also has ambitions to become a downstream destination, with plans to build a, 200,000 barrels per day (b/d), refinery and LNG re-gasification facilities. The port is also the terminus for Qatari natural gas via Dolphin Energy's pipeline from Taweelah, and the location of a 380-kilometre pipeline connecting oil production from Abu Dhabi, which allows 1.5 million b/d of Arab Gulf crude exports to bypass the Strait of Hormuz gateway to global markets.

Fujairah is not only a hub for oil but can also act as a center for electricity generation. In its position on the open sea, outside the more enclosed straits of Hormuz, Fujairah has the advantage of cooler waters and so is well placed for a water station for electricity production. Imported LNG can be degasified and fed to power stations around the Emirates.

Having established itself thus far, what are the next steps for Fujairah to bolster its role as a geographical hub? Does it need to upgrade its physical infrastructure further to accommodate the current oil glut and expected Iranian crude soon to come on stream? What operational excellence

strategies are in place and how will it continue to compete with other global storage hubs such as Rotterdam and Singapore? Does Fujairah need to be more open and transparent to ensure that it can attract international investment and new business partners? Are government policy revisions needed? All of these questions and others are important ones to consider and answer for any emerging energy hub.

The port's current philosophy is to consolidate, expand and diversify along with market demand dynamics such as those in LNG bunkering, petrochemicals, biodiesel and fertilizers and to also stay ahead of the curve by having enough land and facilities so that companies like Socar Aurora and VTTI Oil can continue to expand in the future, ensuring no bottlenecks. At present, Fujairah can accommodate around 9 large vessels and 17 small vessels with a utilization rate of around 70%, and is preparing to accommodate two VLCCs in the next year.

Beyond upgrading efficiencies and its physical capacities further, such as building fire fighting facilities and better roads, many suggest that Fujairah now needs to focus on improving its soft infrastructure - namely, the gathering and distribution of transparent information and data, particularly in this era of increased commodity price volatility.

While there is real-time transaction analysis available on the full spread of the terminal, a Fujairah marketplace with true interoperability with transparency and regulations that support the emergence of a true market does not exist.

Currently nobody knows how pricing is determined. If Fujairah could work to obtain this status, it would be seen as an open and relevant marketplace in its own regard. One step that's being taken on this front is the set up of the Fujairah Oil Industrial Zone, which has the intention of being more transparent and better regulated. Efficient documentation and procedures are also important.

Fujairah is in a naturally strategic position to create pricing benchmarks but that comes with challenges. There is a lot of debate on pricing and the onus does not only lie on the government authority, but also on its stakeholders and commercial partners. Traders also need to come on board in any transparency initiative; they need to disclose more data and information which in their nature they may be reluctant to do. The trading community would need to provide flat prices for price discovery for a Fujairah blend should that ever come on board. Only then could things really move forward.

Singapore and Japan are for example trying to establish some sort of benchmark pricing system so that people can interpret the market better, enabling them to enhance energy consumption in a clear pricing system.

The process of transitioning to a more transparent system will take time. It is in the Fujairah authority's interest to have an open system, which through taxes and license fees, could then produce the statistics and the information required by the industry to be transparent. ■