

BEYOND 2020: Spearheading Positive Disruption

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Ambitions and alliances are fast being achieved at the Port of Fujairah. The UAE emirate is the unblinking beacon in the energy market's storm of opacity; one driven by sub-\$60/bl oil, geopolitical tensions, wildly fluctuating forecasts on peak oil and other unpredictabilities. Fujairah's unwavering positive trajectory for the last decade gives the market confidence that we can fulfil our goals in the 2020s.

As we approach the next decade, the world's second largest bunkering

hub will see a number of new and exciting projects come to fruition such as; commissioning of an additional 796,178 m³ of storage capacity of which 43,000m³ will be dedicated for chemicals, a new Petroleum Regeneration and Recycling facility in 2020 and completion of the world's largest underground storage caverns designed to hold 42mn barrels of crude oil in 2022. A new trading desk for Aramco Trading (which expects to see its oil trading volume rise to 6mn b/d next year) has been established,

Brooge Petroleum & Gas Investment Co. and Sahara Energy Resources DMCC are currently constructing a new 24,000 b/d Topping Unit to produce LSFO products for the bunkering market, which is expected to come online within a year and future plans to construct a 250,000 b/d refinery – major investments that clearly signals confidence in the energy hub's future. Feasibility studies and analysis are ongoing regarding the need for more jetties, including the possibility of a second VLCC jetty to complement Fujairah's inaugural VLCC jetty commissioned in 2016, which heralded the UAE's first on the Indian Ocean. Plus,

OPEC and PLATTS are publishing the ledger data for Fujairah, highlighting the value of 'soft' progress alongside the 'hard' progress of infrastructural developments.

PROACTIVE MARKETING

Part of evolving into the leading global hub means better marketing these successes internationally. This is just the tip of the iceberg of what has been achieved since the port opened in 1983 – less than four decades ago (comparatively, Singapore, the world's biggest bunkering hub, opened two centuries ago in 1819). Today, Fujairah Oil Tank Terminal (FOTT) is handling more product and ships than ever however, through the implementation of new operational efficiency programs and our service offering jetty occupancy and vessel waiting times have decreased significantly, year to date the average berth occupancy is 57.9% and vessel waiting times are 3.5hrs which is best in class. Let's share that message!

IMO 2020

Fujairah is transforming what some view as economic toil into a golden opportunity: IMO 2020. Fujairah has the capacity – and the will – to spearhead what is a drastic and arguably one of the industry's most defining moments since the shift away from coal. The emirate also benefits from sophisticated and flexible crude palettes in the Middle East's many new refineries over the last five-plus years.

Some operators in Fujairah, such as Uniper Energy DMCC and VTTI, have made significant progress in ensuring a healthy supply of LSFO will be available in Fujairah prior to compliance enforcement date of

January 1, 2020. Today we are seeing some of this product being exported to Singapore; a somewhat surprising trend considering our friend in the East's bunkering prominence. Of course, we are keen to capture as much market share as possible.

The big challenge with IMO 2020 will be building confidence. Respondents to a GIQ Survey of 350 high-level executives in Fujairah in September were split equally over whether they thought there would be sufficient supply of LSFO worldwide in January. Of course, we want the 'Yes' response to be in the high-90% for Fujairah. Our customers, existing and potential, need to know they can come here and get as much compliant, compatible and quality specific fuels as they need. That belief will get stronger with every successful cargo we handle. At a minimum, traders and suppliers have said they will conduct extensive testing, in addition to existing tests – an excellent step to bolster confidence. However, with regard to compliance Fujairah is not going to inspect every vessel; the Port of Fujairah (PoF) will take direction from the UAE Federal Roads and Transport Authority (FTA) and our representative who sits in the IMO offices. Every stakeholder is responsible for their actions.

GUESSWORK ISSUES

Wallets are, understandably, not being flung open amid this major shift, at this stage many traders and suppliers are hesitant to enter into long-term supply contracts. This is largely due to the guesswork over the price differential between LSFO, HSFO and Marine Gas Oil (MGO). Ports and shipping are very cost driven markets, and both are

trying to operate with unreliable signposts. At the beginning of this year, I conducted a survey with ship owners who utilize the PoF, and the consensus was a preference to run on MGO in 2020. Now, LSFO is the talk of the town. With just less than a month left until the enforcement date, what's the lesson? Nobody knows. As unsettling as it may be, we must accept the 'wait-and-see' approach while doing our utmost to prepare.

Inevitably, this affects other operations at Fujairah. We need to know where the tipping point for more investment lies before signing checks for additional jetties, or another VLCC. We are in a solid position, with advice from our management to always try and be 25% to 30% ahead of the game in terms of capacity.

BENCHMARKS FOR 2020

There's a lot of discussion about whether establishing an independent Middle East oil pricing benchmark is a requirement or a nice to have. For me, it's the former if we want to take pole position as a global hub. Over the last three years, long-delayed talk has evolved quickly into serious conversations on 'how can this be established?' – a smart move that must gain momentum in 2020.

Now, how do we capitalize on all these opportunities and further enhance Fujairah as a global logistical epicenter for crude oil and refined products, as well as storage and trading? Companies like Uniper Energy DMCC and BPGIC have capitalized on these opportunities with great success. We must keep making Fujairah an easy sell. The question is: are you in? □