

Stay grounded

Adrian Tolson of Chemoil argues that terminalling provides a sound footing amid the volatility of the bunker market

Shipping may be slowly recovering from recession; recent news suggests the industry is as buoyant as it has been for 18 months, yet few segments of the market have escaped turbulent times. One of the few exceptions to that rule has been the land-based bunker fuel storage and terminal business, which has remained buoyant, despite the economic challenges of the past two years.

The downturn in world oil consumption might have been expected to have severe consequences on physical bunker suppliers, which handle significant flows of refined fuel oil products. However, demand for storage and terminal facilities, particularly from trading institutions, has been steadily growing.

Many consider storage terminals to be a recession-proof business and certainly the key players have been announcing impressive profits and big expansion plans, but the industry still needs to adapt to its surroundings.

There is no doubt major players are adapting to market conditions by expanding in strategic locations and either upgrading or building new storage terminals; invariably leading to increases in existing storage capacity. Deep-water ports and those with access to large markets are, as might be expected, being targeted and doing particularly well.

Key global bunker storage locations such as Singapore, the Amsterdam-Rotterdam-Antwerp (ARA) market and Fujairah, which serve some of the world's main oil refining centres, have seen their operators perform well in uncertain times with high tank occupancy and throughputs. While trade between global oil refining hubs has been robust, recovering swiftly from initial falling demand, the increasing scope of marine fuel specifications in different regions, for example, has augmented any slowdown with separate grades of fuel oil and distillates' storage tanks in demand. The formula is simple: increased fragmentation of product specification to meet new environmental regulations matched with increasing focus on health and safety has required more demand for storage capacity.

Some of the recent investment made in storage terminal expansion has allowed some ports to strengthen their position in bunkering, and importantly, ensure the ports are more viable as global trading and logistics centres.

An increase in refining capacity around Asia over the past year has bolstered the world's largest bunkering hub of Singapore amid recession. The island state is once again

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recording record bunker sales.

For a physical supplier like **Chemoil**, the decision to build its flagship 482,000 cubic metres (m³) Helios terminal on Jurong Island in Singapore in 2008 goes back several years and was based upon forecasting continued growth in the Singapore bunker market and the Asian oil products markets and the role a state-of-the-art storage and terminal facility like Helios would play.

While many ports do suffer from land availability issues, as is the case with Singapore and Rotterdam, this hasn't stopped new storage terminals from being built. Storage development projects are underway at ports around the world, particularly in the Middle East. Although the Port of Fujairah is already the third largest bunkering port in the world, investment continues to be pumped into the region's storage capacity. Chemoil is one of several marine fuel suppliers building new storage terminals in Fujairah; in this case with joint venture partner **Gulf Petrol Supplies (GPS)**. Chemoil's increased storage capacity will be in the form of a modern and compliant terminal, which will take existing capacity to 680,000 metric tonnes (mt) by 2012.

Projected demand for varying fuel specifications in different regions combined with the current imbalances between supply and demand for oil products in many of these same geographies, does certainly impact

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Terminaling 2010

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where investments in new storage capacity will be made.

Removing congestion at the terminal with faster terminal turnaround rates has become an important competitive factor for the modern terminal when it comes to the transfer and handling of bunker fuel. Ultimately, customers benefit in terms of better access to marine fuel products and bunkering services.

Many oil products' ports remain heavily congested and therefore terminal efficiency has become paramount. The well-designed modern terminal utilising the latest technology and supported by flexible berthing, is increasingly making a difference to turnaround times.

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products.

While the advantage of high utilisation rates in storage capacity supports a buoyant market, competition is still there and efficient terminalling remains a prerequisite for customers – from the rapid loading of barges for delivery through to inter-tank transfers and blending services.

Control of all stages of the fuel supply chain is vital to the sustainability of a bunker business. In times of instability and market volatility, quality assets such as terminals and storage continue to be profitable elements – and in the case of Chemoil they are a key element of the company's diversified supply strategy and flexible sales mix. The ability to acquire, develop and control physical infrastructure within the supply chain enables suppliers like Chemoil to adopt a progressive and controlled and customer-oriented approach to sourcing and delivering bunker fuel.



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