

Can Fujairah Be The Next Global Energy Trading Hub?

The biennial [Fujairah Bunkering and Fuel Oil Forum](#) hosted a new participant this year: Aramco Trading Company. The oil trading arm of Saudi Aramco, the world's biggest oil producer, has been gradually increasing its presence in the northern emirate, opening an office in Fujairah in December 2018 to trade oil products.

The decision by Aramco Trading Company to make Fujairah its second trading outpost after Singapore could well be the latest acknowledgement of Fujairah's steady transformation from a bunkering hub to becoming a base for global energy trading, joining the likes of Houston, Singapore, and Rotterdam.

Fujairah is already among the world's top three bunkering ports, with an annual demand of up to 12 million tons of bunker fuel – the main fuel used to power commercial ships – and host of storage tanks owned by companies such as Vitol Group's VTTI, Vopak, and Abu Dhabi National Oil Co (Adnoc).

Adnoc's Abu Dhabi Crude Oil Pipeline, carrying Murban crude across the rugged interior of the United Arab Emirates from oil-rich Abu Dhabi in the southwest of the country to Fujairah in the east, has marked a turning point for the emirate. The conduit takes advantage of Fujairah's location outside the Strait of Hormuz, a chokepoint at the mouth of the Arabian Gulf for a third of the world's sea-borne oil trade. With direct access to the Indian Ocean, the line has been pumping crude oil since 2012 and has a capacity of 1.5 million barrels a day, more than half Adnoc's daily oil production.

For Fujairah, this uptick in activity means three things.

Firstly, growing investment in the emirate. Oil storage capacity, which stood at 3.2 million cubic metres in 2011, has more than tripled to 10.5 million today. About 32% is for CPP (clean petroleum products), 40% for BPP (black petroleum products) and 28% for crude oil storage. Leveraging its strategic location, Fujairah is now home to two oil refineries: Vitol's 82,000 barrel-a-day refinery, and Uniper's 67,000 barrel-a-day plant. Ecomar is in the final stage of preparing a petroleum regeneration and recycling facility of 7,500 barrels a day. Liquefied natural gas (LNG) and liquid petroleum gas (LPG) import-distribution facilities are under study.

Meanwhile, Adnoc's expansion in Fujairah continues. The UAE's national oil company is building the world's largest underground crude oil storage facility in the emirate, which will hold 42 million barrels of oil when it is completed. Strategic oil storage has traditionally been the practice for oil-consuming nations the world over, holding 30, 60 and 90 days of crude as a buffer in case of supply shortages. As a producer, Adnoc has said that developing this mega facility will also support and further enable their broader trading ambitions. The underground storage facility will be able to store three different types of crude oil, enabling it to 'proactively respond to market needs and commercial

opportunities’.

Adnoc’s ambitions are likely to require additional infrastructure such as new storage and integration into the port. Moreover, by adding crude to the mix of products available in Fujairah, so the potential for ancillary businesses – refineries, petrochemicals facilities – grows. Such investments are more attractive if various crudes and blends are widely available in the ecosystem.

Secondly, diversification of Fujairah’s portfolio beyond bunker fuel.

Beyond the new infrastructure that has been steadily accumulating, adding crude trading to Fujairah’s current offering of fuel oil and oil products has the potential to create a completely new market.

In this sense Adnoc’s presence on the ground is a game-changer. It would not be inconceivable for Adnoc Trading – the unit Adnoc set up in 2018, following the footsteps of peers such as Oman and Saudi Arabia in a bid to add value to their main export – to eventually trade a range of fuel products and crude in and from Fujairah, benefiting from the vast storage infrastructure and presence of regional and global oil traders. Adnoc’s potential activity is likely to attract more business from existing and new international oil companies seeking trade opportunities.

And finally, all these activities are making Fujairah more relevant as an oil trading hub.

Unlike Ruwais, where Adnoc produces fuels for the local market such as petrol stations, the local airlines, and so on, hardly any oil traded in Fujairah goes into the domestic market (except for fuel oil for the bunker market). It is mostly regional and global trading. We have started working with Platts, the provider of benchmark prices for commodities and energy markets, on compiling daily inventory data, to increase market transparency. The natural next step is to work towards a ‘Fujairah’ price benchmark, like those that already exists for Singapore and Rotterdam, which should encourage the development of a spot market and increase trading in general.

In conclusion, the future is looking bright for Fujairah. Adnoc continues to increase its oil production, which bodes well for the UAE as a whole in terms of its place as a global oil centre. For Fujairah, its advantage is that it is very close to regional oil production, on the right side of the Strait and therefore very competitive for ships in terms of insurance risk premiums, and a one-stop-shop at its anchorage for ships to not only refuel but also avail a wide range of services and supplies.

Adnoc and Aramco have already demonstrated their trust in the emirate: the next step will be them taking the lead in selling FOB Fujairah, which will further entrench their activities in the emirate and attract a full-fledged trading community.

<https://www.forbesmiddleeast.com/can-fujairah-be-the-next-global-energy-trading-hub>