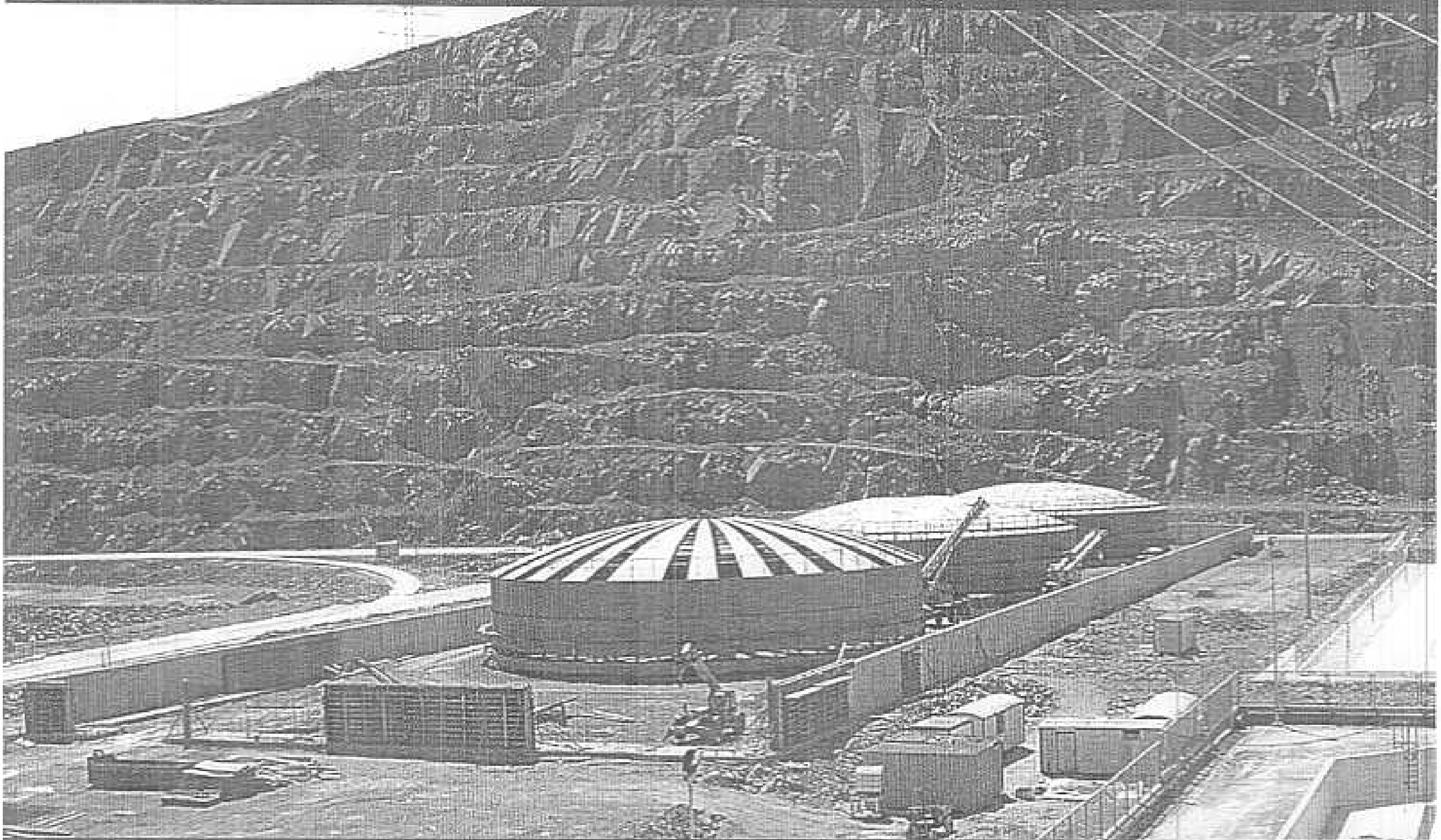
Petroleum review

AUGUST 2003



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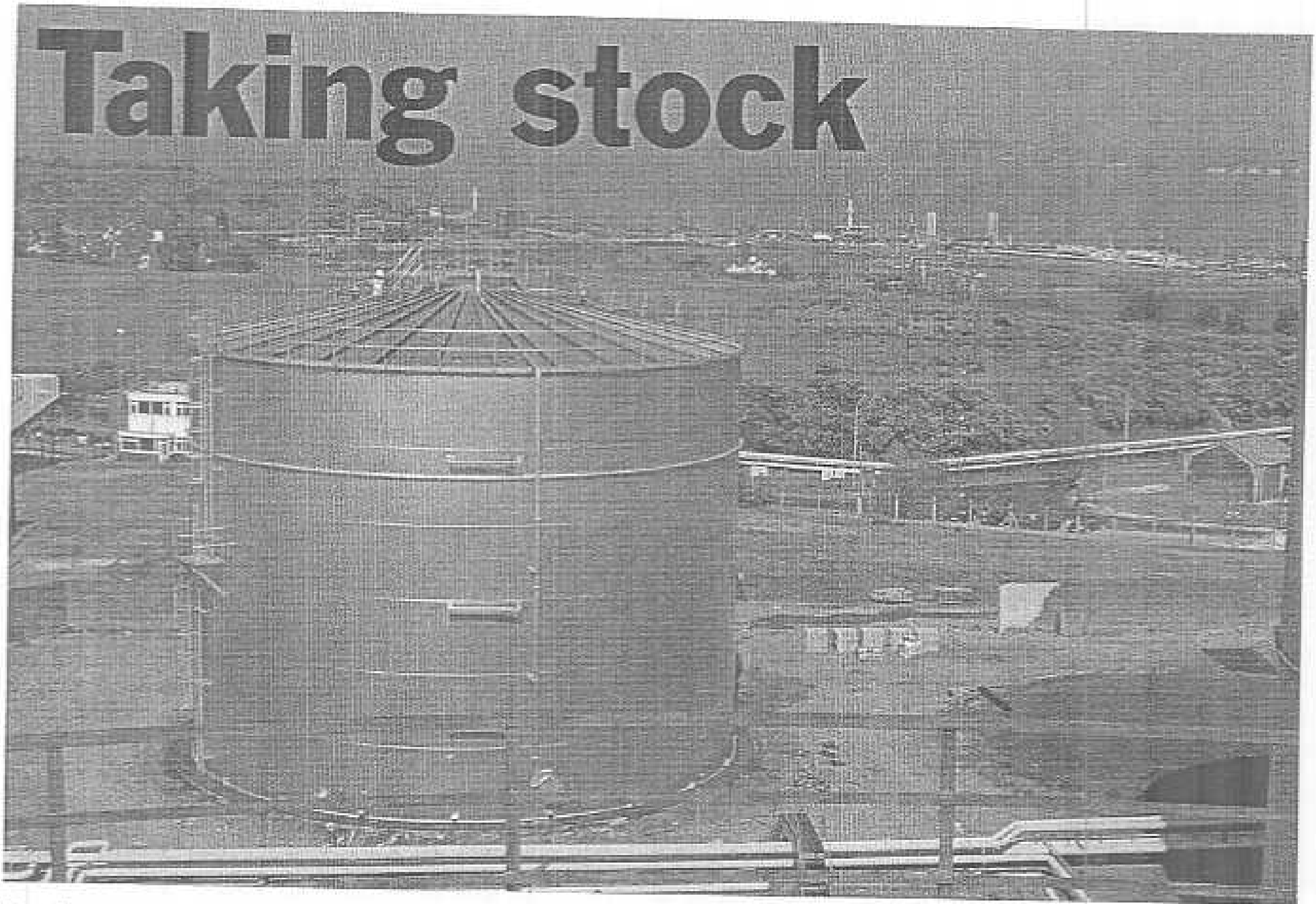
Taking stock



New ethylene dichloride tank at ST Services' Eastham terminal

Business may not be quite as bright as it was a couple of years ago, but with their tanks more or less full on a seemingly permanent basis, operators of independent bulk liquids storage capacity in Europe are hardly in pain either. *Petroleum Review* reports.

With the oil market reverting to something approaching normality over the past year, the disappearance of the long-running contango in the forward market has reduced the chances of terminal owners picking up business from traders and oil companies holding stock ahead of a price upturn. On the other hand, the broader economic uncertainty and, in particular, the threat to the oil market arising from the build-up to the war in Iraq meant that oil importers have, over the past year, been keen to maintain a good level of buffer stocks.

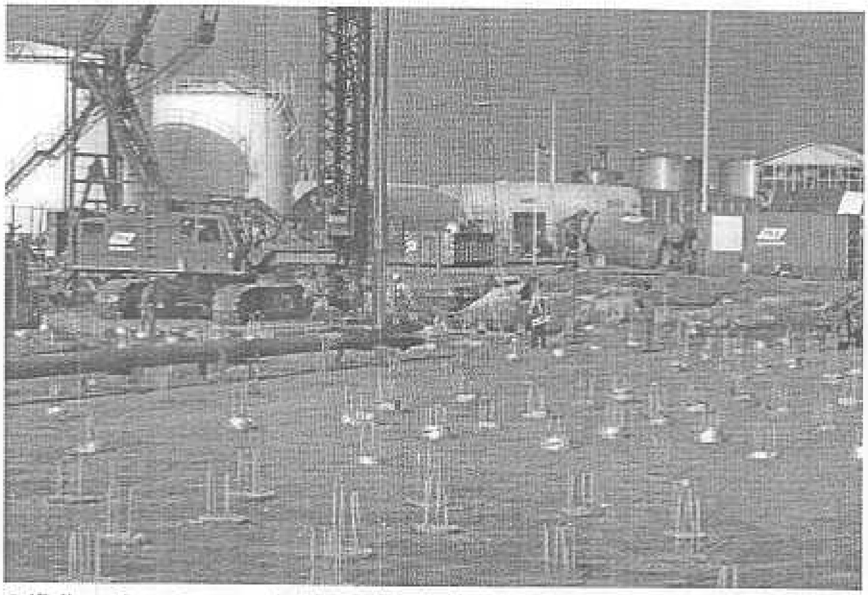
As a result of this there is very little spare capacity for oil product and petrochemical storage in Europe, especially in northern Europe. Should the EU go ahead with plans it is considering to increase member countries' strategic stock requirement, then the situation could get very tight indeed. Perhaps it is an indication of the current very decent state of business that even the terminal operators themselves are not necessarily supporting this move – they are already doing quite well enough.

Europe vs the world

A year ago this review noted that there was very little actually happening in the European terminal sector. This was partly due to structural effects, notably the hiatus imposed on new business by the spin-off of Univar from Vopak and the pending sale of the Simon Group. The year since then has seen little change, certainly as far as Europe is concerned – the financial arrangement under which Vopak divested itself of its chemical distribution activities has left it short of cash in the near term, while the potential sale of the Simon Group as an entity stretched on until early this year when in fact Simon Storage was bought out of the group by private equity investors.

With the Simon situation now clarified – at least as far as tank storage and related activities are concerned – there may be some moves in the offing. It is known, for instance, that the investors are keen to expand the business and this is likely to involve acquisitions in mainland Europe. Moreover, the investors also bought out the Vopak shareholding in the jointly owned terminals, suggesting that Simon Storage may now be able to move more nimbly to take advantage of investment opportunities.

For now, however, and excepting a couple of major new projects, very little is happening in Europe. This reflects the maturity of the market in which terminal operators' customers work as well as, perhaps, the non-discretionary costs heaped on operators by constant additions to the regulations that govern them. At the same time, the indepen-



Odfjell continues to upgrade the Botlek site in Rotterdam

Tanks going in at LBC Antwerp

dent tank storage industry is fast catching up with its customers in terms of its global approach and a lot of investment is currently heading east, not least to the major growth market in China.

While Vopak and Oiltanking, the two largest independents, have long had a very international outlook, others are following suit. Odfjell has been very active in Asia and Latin America in recent years, and recently opened a major new facility in Korea, which it hopes will take advantage of new trade flows into and out of China. Following its foray into the US market, LBC has opened an office in Shanghai and is actively seeking opportunities in the region. And ST Services has over the past year added Australia and New Zealand to its portfolio through the acquisition of Terminals Pty Ltd. All this has had the effect of drawing investment money away from the established markets in Europe and North America.

Where the money is going

There are, however, some exceptions, and Oiltanking is involved in two major projects in the ARA (Amsterdam-Rotterdam-Antwerp) zone, both in very close cooperation with a customer. Both are also primarily chemical terminals, which is an area where the German company has expanded lately compared to its historical concentration on oil terminals.

In Terneuzen, work was due to start in July on the long-awaited 335,000-cm De Mosselbanken facility, which is sited alongside Dow Chemical's plant and will serve mainly as a terminal for the company. Phase one of the project is scheduled to open in early 2005, when 12,000 cm of the 156,000-cm capacity will be available for hire by third parties. It will be able to accommodate ships of up to 100,000 dwt and will feature a mix of tank types and sizes. Oiltanking is using the 'cup tank' design, in which an outer skin serves as secondary containment, so avoiding the need for bund walls and reducing the tank farm's footprint.

Oiltanking's other major project is in Antwerp, where it has embarked on an 11,000-cm gas storage expansion on behalf of its neighbour Oxeno, an affiliate of Degussa. Oiltanking already handles Oxeno's storage requirements in Antwerp but is adding four new bullet tanks to cope with an expansion in butene-1 production. In addition, nearly 75,000-cm of chemical storage capacity is to be added at Antwerp in the next phase, beginning with 15,000 cm next year.

Oiltanking has also recently completed a significant expansion of capacity at its Amsterdam terminal, adding over 150,000 cm in large tanks by the end of 2002, and has another three 25,000-cm tanks due to open for business in October.

Other operators who are investing in the ARA region include Den Hartogh, which is currently adding new stainless steel tanks at its Moerdijk facility. Along with a rail-connected tank container terminal opened in May, the €10mn investment aims to turn Moerdijk into a full-service logistics centre for the chemical industry.

In Rotterdam, Odfjell and Vopak continue to upgrade their terminals at Botlek. LBC's terminal at Antwerp is now full, the latest expansion bringing capacity up to 250,000 cm, and the company has now secured a site across the River Scheldt where a new facility will be built once demand is apparent. ADPO, currently the only terminal on the left bank, is looking at adding 16,000 cm of new stainless steel capacity and is also installing several small mild steel tanks at its Ghent site.

In comparison, there is very little activity in southern Europe. TEPSA is currently building three 18,000-cm tanks at Bilbao and LBC has added some mild steel tankage at its site at Santander. These additions apart, most operators seem intent on improving berthing facilities and rail connectivity to enhance the level of service they can provide to customers.

Of potentially greater interest over the coming few years will be eastern Europe, where the impending entry into the EU of ten countries is encouraging investment in transport infrastructure of all sorts, not least for the oil and chemical industries. US-based operator Westway, part of the ED & F Man sugar-trading combine, has already moved into Poland and opened a 20,000-cm terminal for the import of chemicals and export of molasses and fertilisers. This is to be expanded to 45,000 cm. Nafta Polska is now in negotiations with Vopak that may result in the terminal specialist being involved in the privatisation of Naftobazy, which operates 23 product terminals and a pipeline supply network.

Yet more regulation

Terminal operators have a great deal of discretion in how they invest to upgrade or expand their sites and often only do so when there is firm interest in their facilities. However, in other areas, they have less choice. For instance, many terminals are still having to spend money to bring their facilities up to scratch with regulatory requirements, particu-

Oiltanking Amsterdam, with new tanks going up

larly in the area of vapour control.

Another factor, mentioned in this review last year but still going strong, is the EU's Seveso II Directive (96/82/EC), which has brought many tank storage facilities into scope of a requirement that they avoided in the original Seveso Directive. The main task facing terminals has been to prepare and develop incident response plans and an incident reporting system, which has proven to be rather costly.

Much of the risk analysis work undertaken to meet the requirements of Seveso II will now come in useful for those terminals – mainly those that handle seagoing ships – that will be affected by the International Ship and Port Facility Security (ISPS) Code that was agreed by the International Maritime Organisation (IMO) in December. The Code is the international response to the increased awareness of a security threat from shipping activities and places a similar responsibility on facilities to assess the level of risk from terrorist activity and to take necessary steps to mitigate that risk.

Meanwhile, European terminal operators have another EU directive to worry about – the Integrated Pollution Prevention and Control (IPPC) Directive. Basically, the IPPC Directive calls on industries to establish a set of best available technique reference notes, or BREFs, by which operators and regulators can assess whether a particular facility is doing all it should to minimise its impact on the environment. As far as terminals are concerned, this refers primarily to air emissions. It is noticeable that, in this requirement, there has been a significant shift away from the previously applied concept of 'best available technology not entailing excessive cost', or BATNEEC, although there is a cost/benefit element in the analysis.

Work on the Storage BREF began as long ago as 1999 under the direction of

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EUROPEAN BULK STORAGE DIRECTORY

Petroleum Review's European bulk storage directory is a detailed listing of the key players, including contact details and facilities/ services offered, that can be accessed by EI members from the EI website at www.petroleum.co.uk or from September 2003 www.energyinst.org.uk

Regularly updated, the directory is fully searchable via a range of keywords.

If you would like to update your company's entry, or be added to the database, please contact Sally Ball on T: +44 (0)20 7467 7115 or e: sball@energyinst.org.uk

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the Technical European Tank Storage Platform (TETSP), which comprises a number of trade associations including the Federation of European Tank Storage Associations (FETSA), the European Chemical Industry Council (CEFIC), the Federation of European Chemical Distrbutors (FECC) and the Oil Companies' European Organisation for Environment, Health and Safety (CONCAWE). The work was expected to take no more than two years but, four years on, is still not complete.

In fact, most independent storage terminals – other than those that incorporate process facilities or handle some specific chemicals with a notable environmental impact – will fall outside the scope of IPPC. However, terminal operators believe that regulators and enforcement agencies will apply the BREF to them in any case, as there is no other similar guidance, and are therefore keen to be involved. A risk-based strategy has been employed in drawing up the data sets, which indicates that terminal operators will have to look closely at the BREF once it appears, since the best available technique for pollution prevention is site-specific, if not tank-specific.

The final draft of the Storage BREF is expected to be agreed around the middle of next year, after which terminal operators will need to assign yet more management time to investigating how their facilities match up to its specifications and – possibly – yet more money on replacing or installing equipment. Their customers may have to be aware of this when it comes to renegotiating storage leases.