

Singapore faces its challengers

Observers are asking how Singapore can defend its title as the world's leading marine fuel market in the face of rising regional and global competition. Bunkerworld's Lee Hong Liang investigates.

Singapore is the best-performing bunkering port in the world, but growing competition from the region and globally could soon slash the lead that its marine market currently enjoys.

The atmosphere in Singapore is such that numerous suppliers and traders compete each day for bunker stems in a market that offers competitive prices.

If the Singapore bunker market maintains its status quo, its active market mood may taper off as other ports begin to develop their bunkering infrastructure, and possibly rise to become a credible challenger to Singapore's dominant position.

Malaysia: A promising alternative

Competition for Singapore's bunker market is now right at its doorstep.

Malaysia is currently building a petroleum hub on Tanjung Bin, a reclaimed island off the Port of Tanjung Pelepas (PTP), located to the northwest of Singapore.

The \$400 million project has a total storage capacity of 1 million cubic metres (m³) and will be fully operational by mid-2009.

The proposed petroleum hub will benefit Malaysia in the areas of storage space to keep strategic oil reserves, attract foreign direct investments, reduce foreign exchange outflow, and provide competitive bunker prices.

The project looks promising since Malaysia has been suffering from a lack of comprehensive oil terminal facilities to meet its requirements for fuel oil and other petroleum products.

The establishment of oil terminal facilities equipped with storage and blending capabilities will be the key to



Competition looming for Singapore

support the country's bunker market requirements.

Such facilities could also capture the trading business of petroleum products in the region, especially since PTP is strategically located along the main shipping line.

"Tanjung Bin offers a very competitive alternative to Singapore with respect to the bunker and oil storage sector," said Robin Meech, managing director of Marine and Energy Consulting. "It provides tank storage at costs somewhat below any additional Singapore storage."

Currently, the Malaysian

bunker market, which buys its products from Singapore's oil depot, is quoting prices higher than Singapore due to high terminal cost and freight charges incurred during the distribution process.

In terms of delivered prices, bunker stems for PTP are typically \$1-2 per metric tonne (pmt) higher than in Singapore, Meech noted.

"There is little doubt that Tanjung Bin will provide for the next generation of fuel oil (and clean and chemicals) storage in the Singapore basin," he said.

He added that there are already reports of major oil traders and

storage operators requesting access to the nearly 1,000 hectares of land available for development at the reclaimed island.

A question mark still lingers, however, over the speculative threat posed by Malaysia to Singapore.

Cem Saral, director of sales and marketing for Chemoil Asia, said that from a marine fuels perspective the Tanjung Bin project is unlikely to have a major impact on Singapore's dominant position in the region.

"However, when operational, it is likely that there may be opportunities for the two to even complement each other," he said.

Singapore-listed Chemoil is one of the world's largest integrated physical suppliers of marine fuel products and the company, along with other Asian bunker suppliers, is watching the developments at Tanjung Bin with interest.

"We have yet to see what level of operational expertise and infrastructure will support the venture," said Saral. "As the project evolves the industry will be in a better position to review whether this will impact demand from Singapore."

An industry veteran said that a fully operational Tanjung Bin could, over the next five years, squeeze 6-7 million mt out of Singapore's annual bunker sales.

Perhaps a plus point for Singapore over Malaysia is the former's ability to offer crew change with ease, as juxtaposed to the same service on Tanjung Bin, Saral observed.

The potential of Port Said and others

Halfway across the globe, the rise of another potential bunkering port may stage more competition for Singapore.

In this issue

Focus on Singapore - page 1-6



Port profile: Port Kembla - page 7

Spotlight on ARACON and Rotterdam - page 9



Credit risk - page 12

Fuel sampling - page 13

Sustainable shipping news - page 15

Lubesworld news - page 18



Regional bunkering news - page 20

PUBLISHER

Petromedia Ltd.
Gainsborough House
59/60 Thames Street
Windsor
Berkshire SL4 1TX
UK

EDITOR

Guy Wilson-Roberts
Tel: +1 604 692 2552
guy@bunkerworld.com

**BUNKERWORLD
ANNUAL SUBSCRIPTION
RATES:**

Magazine: \$175
Full online license (including
News and Prices): \$2495
'5 user news' online license:
\$1,245

LONDON SALES:

Adverts and subscriptions:
Paul Davis
Tel: +44 (0)1753 272 250
Fax: +44 (0)1753 272 251

sales@bunkerworld.com
Petromedia Ltd
Gainsborough House
59/60 Thames Street
Windsor
Berkshire SL4 1TX
United Kingdom

SINGAPORE SALES:

Adverts and subscriptions:
Daryl Ng
Tel: +65 6324 0920
Fax: +65 6327 8743
sales@bunkerworld.com
Petromedia Pte Ltd.
91B Tanjong Pagar Road
Singapore, 088512

VANCOUVER SALES:

Adverts and subscriptions:
Liz Southwick
Tel: +1 604 692 2552
sales@bunkerworld.com
Bunkerworld Publishing Ltd.
816-675 W. Hastings St.
Vancouver V6B 1N2
Canada

PRODUCTION

Vivian Chee
Tel: +44 (0)20 8995 5540
chee@btconnect.com

No part of this publication may be reproduced or stored in any form by any mechanical, electronic, photocopying, recording or other means without the prior written consent of the publisher. Whilst the information and articles in *Bunkerworld* are published in good faith and every effort is made to check accuracy, readers should verify facts and statements direct with official sources before acting on them as the publisher can accept no responsibility in this respect. Any opinions expressed in this magazine should not be construed as those of the publisher.

Egypt's Port Said, located on the Mediterranean Sea, thrives on being a duty-free port and an important bunkering station for ships that pass through the Suez Canal.

The Suez Canal allows two-way water transportation for ships plying between Europe and Asia. Nearly 20,000 ships pass through the canal each year, accounting for about 8% of the world's shipping traffic.

The canal accounts for 90% of Egypt's bunker market.

The Port Said Port Authority is apparently interested in upgrading Port Said into a more reliable bunkering stop to capture business from the already busy port traffic.

Oil terminals and bunkering berths may be built at Port Said to provide bunkering services while ships are waiting to enter the canal.

As such, both eastbound and westbound ships may in future take more bunkers at Port Said, drawing away some volumes from the port of Singapore.

Moreover, the resurgence in availability of fuel oil in Egypt through reduced use in power generation with the switch to gas as well as recent changes to allow more fuel oil imports for resale as bunkers will rejuvenate the bunker business, Meech explained.

He also observed that bunker sales volume could hit 4-5 million mt by 2010. To date, annual bunker sales in the Egyptian market have been estimated at 2.5-3.5 million mt.

"No doubt the more attractive product prices that can be achieved in Egypt with domestic supply and imports for the Black Sea will eat into the Singapore bunker market," he said.

However, a re-established Egyptian bunker market may find it hard to grow as rapidly as other key bunkering locations without significant investment by the Suez Canal Authority to permit continuing expansion in traffic levels, he added.

Other regional players should also not be dismissed.

Both China and India are lacking just the infrastructural development to fully exploit their potential at present but this will evolve in the long-term, Chemoil's Saral said.

"Until then, Singapore is still well placed to continue its growth by leveraging its strengths, whilst watching developments to ensure that it stays ahead of the game," he said.

In some ways, the rise of China's Shanghai port in becoming the world's leading container port will reduce transshipment of boxes in Singapore, according to Meech.

Bunker supply opportunities would hence be reduced as Shanghai has been taking away a portion of Singapore's container business.

"Singapore will need to strive to find even more ship calls for all types of product. This may be more difficult in the future as the economy focuses to an even greater extent on manufacturing and services which will reduce

boost the country's oil and petrochemicals industry, especially in the areas of providing additional logistics infrastructure for the local refining and oil trading sectors.

"Floating storage, whether on vessels or as a permanent floating construction, can be very useful investment to support wider operational infrastructure," Saral noted.

"Singapore is already a very reputable bunkering port..."

growth in port traffic," said Meech.

"The global market continues to shift and change so complacency isn't an option for anyone," according to Saral.

"Singapore has a strong platform to build on and it should use the climate of global competitiveness as the fuel to continue investing in its knowledge, innovation and infrastructure to retain its pole position in the marine fuels market," he argued.

Dealing with limited land space

Singapore currently has about 4 million m³ of onshore oil storage space, with the capacity set to double by 2008 when new oil terminals come online.

With the republic's bunker sales volume beating its own record each year, oil storage capacity has to keep up with the huge bunker sales turnover.

Singapore's annual bunker sales volume has posted year-on-year increases since 2003, according to figures by the Maritime and Port Authority of Singapore (MPA).

Last year, bunker sales hit record high of 28.4 million mt, up 11.4% from 25.5 million mt in 2005.

While Singapore is not expected to make any further onshore space available for bulk liquid storage, it is exploring the option of building a very large floating storage (VLFS) out at sea.

JTC Corporation, a Singapore government agency, is currently engaged in the feasibility study and examining the possible uses of the VLFS.

The VLFS could be used as a floating desalination plant, a container terminal, or oil storage/bunkering facility.

The idea of establishing a floating storage is perhaps the latest innovative move by Singapore to reinforce its position as the region's thriving oil trading hub and the world's number one bunkering port.

Having a VLFS in place could

In terms of business sustainability, however, land-based storage is likely to be a more reliable option as policies and regulations on floating storage could get tighter, leading to a domino effect on operational costs, he explained.

Moreover, according to Saral, there are a number of petroleum products that are better suited to storage on land rather than at sea. These products include kerosene, naphtha, jet fuel and certain other chemicals.

Chemoil is currently building a 448,000-m³ storage facility on Singapore's Jurong Island, expected to become operational by early-2008.

Such an onshore oil terminal provides a significant economic advantage by being able to berth VLCCs, easing congestion, and increasing overall fuel trading volumes, Saral highlighted.

Therefore, the ability for vessels to berth alongside the VLFS would be crucial if the offshore facility were to benefit Singapore's bunkering sector.

Asked by *Bunkerworld* regarding the cost and location of the VLFS, JTC had no comments at present.

How to stay on top?

Maintaining bunker prices at competitive level, which Singapore is currently able to offer, remains a decisive factor to attract shipowners.

Apart from being concerned about bunker costs, shipowners prefer to choose ports that offer swift bunkering time and low port due fees.

Vessels calling for bunkers in the island state typically have to wait about three to four hours before the bunker tanker arrives, Singapore players have noted.

The MPA introduced a Special Bunkering Anchorage Scheme (SBA) in 1997 to meet growing bunker demand and encourage more ships to bunker in Singapore.

Vessels using the anchorages pay reduced port dues of \$51.00 per 100 gross tonnes (GT) within

24 hours of bunkers-only calls.

Despite new bunkering markets emerging, Singapore is in a strong position to defend its reputation as the world's leading marine fuels hub and Asia's biggest crude and refined products trading market, according to Saral.

"Singapore has earned its status over the years due to its robust infrastructure, effective processes and refining capabilities that have made the region synonymous with efficiency.

"Due to this deep-rooted experience, Singapore is rich with knowledge from both inside and beyond the industry. This understanding cannot be replicated overnight. Neither can a respected and reliable fuel supply market be established quickly even with the greatest intentions," he said.

Cecil Cheong, managing director of Searights Maritime Services, highlighted a few 'crucial' factors needed for Singapore to stay on top of the game.

Searights Maritime Services is one of Singapore's 75 accredited bunker suppliers.

Cheong said competitive pricing coupled with a well-established regulatory framework are important for Singapore.

"Regulatory framework comprises of two categories – the software and the hardware," he said.

The 'software' part refers to the practices of bunkering procedures during the supply chain while the 'hardware' refers to the technical requirements that players need to adhere to.

Cheong noted that the republic's bunker market has matured over the years, where players have become "part of growing together under a flexible, self-regulatory system".

"Singapore is already a very reputable bunkering port, and this can be further cultivated by creating a cohesive environment among players so as to avoid negative thoughts of self-interest," he said.

A bunker market will thrive in an environment where the system aims to provide convenience and protection to the players, with regulations clearly communicated and fairly, yet firmly applied.

Cheong supported an environment where players adopt the local system and constantly seek to enhance it through active participation and dialog within the industry.

"Everybody has a role to play in making sure Singapore maintains its position. It is this combined responsibility that will allow Singapore to continue generating bunker sales volume and staying competitive." ■



SEARIGHTS



*Singapore
Singapore*

FULFILLING YOUR EXPECTATIONS...

Premium Bunkering Service in Singapore

80 Marine Parade Road, #13-05/06 Parkway Parade, Singapore 449269 Tel: +65 6344 1108 Fax: +65 6344 1128
Website: <http://www.searights.com.sg> Email: bunkers@searights.com.sg / operations@searights.com.sg