NEW LAND FOR NEW OIL TERMINALS

Benalec's Tanjung Piai Maritime Industrial Park, offshore Malaysia and now ready for topside development and construction work, is poised to take advantage of a wealth of opportunities in the area

IN 2017, *Tank Storage Magazine* reported on the start of work on a 3,485 acre (1,410 ha) man-made island off the south-western coast of Johor in Malaysia, that had been created by Malaysia's largest publicly listed marine construction company Benalec, to offer an alternative location for oil and gas storage.

The first 100-acre land of the Tanjung Piai Maritime Industrial Park (TPMIP) is now fully reclaimed and ready for the top-side development of a greenfield oil terminal. TPMIP has more than 7 km of coastline and natural deepwater of 30 metres, allowing it to accommodate the largest ships in the world, including very large crude carriers (VLCCs), ultra large crude carriers (ULCCs), and Valemax bulk carriers. It also has vast tracts of land available for future expansion. Benalec says that TPMIP is suitable for all major midstream to downstream oil and gas developments.

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STRATEGICALLY POSITIONED

As well as the obvious benefits of a purpose-built island designed specifically for oil and gas industry developments, TPMIP has a number of other unique selling points.

Benalec says that southern Johor is Malaysia's 'most promising oil and gas hub.' It has a steadily growing oil storage industry, has government support, and strategic infrastructure plans are being implemented. The suitability of Johor as an oil and gas development location is highlighted by the fact that Malaysian national oil company PETRONAS chose the region to build its new 300,000 bpd Refinery and Petrochemical Integrated Development, better known as RAPID, under a joint venture with Saudi Aramco.

TPMIP is located just off the Straits of Malacca, the world's second largest oil transit chokepoint, and next to Singapore, the world's largest bunkering hub, making it ideally located to support the oil industry in the region. Benalec says that the site is well-positioned to capture value-added activities along one of the busiest maritime routes in the world. It is also close to other major ports in Southeast Asia.

SURROUNDING SYNERGISTIC INFRASTRUCTURE

There are a lot of other synergistic infrastructure developments in the surrounding area which could support developments at TPMIP. For example, the first phase of Singapore's Tuas Terminal mega port (see p34), located just 11 km from TPMIP, with 21 deepwater berths handling 20 million twenty-foot equivalent units (TEU) will open in 2021. Dutch commodity company Vitol is building a small 30,000 bpd refinery at its ATT Tanjung Bin terminal, just north of TPMIP along Sungai Pulai (Pulai River).

Benalec believes that these developments in particular will spur the growth of bunkering volumes in the region, which will increase the need for storage within the area.

The new Sungai Pulai bridge provides direct access from the Port of Tanjung Pelepas in Gelang Patah to Tanjung Bin, and therefore to TPMIP, reducing travel time to 15 minutes from the current land route, which normally takes about one hour. Additionally, the Singapore-Johor Bahru Rapid Transit System (RTS) is expected to improve the connectivity and accessibility between Singapore and Johor.

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GOVERNMENT INCENTIVES

Developments at TPMIP can currently make use of new financial incentives from the Malaysian government. Under the recovery phase of the nationwide Movement Control Order (MCO), a raft of legislation introduced to stop the spread of COVID-19 in the country, the government has launched the short-term National Economic Recovery Plan (PENJANA).

PENJANA is designed to revive and stimulate the local economy as Malaysia seeks to recover from the ravages of COVID-19, and includes various corporate tax incentives to encourage overseas firms to relocate their businesses to Malaysia. The new incentives apply from July 2020 to December 2021.

New investment in manufacturing sectors with capital investment between MYR 300 million-500 million (€61 million-102 million) is now subject to a 0% corporate tax rate for 10 years. Capital investment for more than MYR 500 million is subject to a 0% corporate tax rate for 15 years. Conditions do apply. Companies must begin operations within Malaysia within one year from the date of approval, and the investment amount must be made within three years.

Existing Malaysian companies relocating their overseas facilities to Malaysia, with a capital investment above MYR 300 million, will have a 100% investment tax allowance for five years.

'Any planned greenfield developments at TPMIP will be able to take advantage of the PENJANA incentives,' says Leaw Ai Lin, executive director at Benalec.

THE EFFECT OF COVID-19

The COVID-19 pandemic and the MCO had a significant impact on business in Malaysia, bringing most economic activity to a complete standstill. This has led to delays in infrastructure projects across the region, not least the RAPID project. Already delayed by two separate fires and explosions during its commissioning phase in April 2019 and March 2020, the pandemic pushed the commercial operation date still further, to mid-2021.

'Besides the ongoing pandemic situation, the other structural market condition that has been plaguing the oil and gas industry is the collapse of the crude oil price since April 2020 due to weak global demand and the tapering of OPEC supply cuts. This has resulted in a sustained contango market structure (where the forward prices are higher than spot prices), leading to full onshore storage tanks as well as an increase of floating storage vessels in Singapore and Johor. However, we believe that this will ease as the COVID-19 situation improves and the global demand for oil will eventually recover with an improving economy,' says Benalec senior commercial advisor Mike Beviss.

PROMISING DEVELOPMENTS

The global economic situation is still extremely uncertain. While COVID-19 in many places is seemingly under control, regional flare-ups continue, and as the Northern Hemisphere moves back towards winter, a second wave is widely feared, and would have further serious impacts on the global economy. However, it is not all doom and gloom for TPMIP.

'Despite the very challenging economic situation, bright spots remain in the region. The world's largest bunkering hub of Singapore has seen an increase of 3.7% (875,000 tonnes) of bunker sales from January to June 2020 compared to the same period last year, despite cargo ship arrivals at one stage falling to a 27-year low,' says Beviss.

He adds that this is thought to have been caused by bunker buyers increasingly switching from Fujairah, on the Gulf of Oman, to Singapore due to the political and security uncertainties around the Strait of Hormuz. This narrow strait links the Persian Gulf with the Gulf of Oman and the Arabian Sea, and is one of the important global chokepoints for oil, with the most recent figures (2018) showing that 21% of the world's oil consumption, around 21 million bpd, pass through it. Growing tensions between Iran and US have led to fears recently that Iran could use the Strait of Hormuz as a disruptive strategy to stop oil tankers passing through, disrupt global oil supply, and so raise oil prices.

The introduction of the new bunker fuel regulations from the International Maritime Organization, IMO 2020, which limits the sulphur content of bunker fuel to 0.5%, has led buyers to turn to Singapore, where the necessary fuel is available without the quality or compatibility concerns of other locations, according to Beviss.

And TPMIP is not the only development in the area hoping to benefit from the IMO 2020 regulations. Vitol's new refinery, mentioned above, will produce IMO 2020 compliant bunker fuel.

Independent storage capacity in Johor and Singapore are growing steadily, with new terminals being built and existing terminals expanded.

'Notable examples include the new 480,000 m^3 Jurong Port Terminal in Singapore (operational since 2019) and the expansion of 430,000 m^3 capacity to the existing Dialog Pengerang Phase 1 Terminal (the expansion is operational in 2020) as well as a separate new Dialog Pengerang Phase 3 Terminal with an initial capacity of 430,000m^3 (under construction, operational in mid-2021). We understand the current total capacity of independent storage in southern Johor is about 4 million m^3,' says Peter Gan, Benalec technical manager, special projects.

Of course, all of these developments and trends in regions near Johor mean that storage, and the strategic locations required for new tanks, will become an increasingly precious commodity in the region, and TPMIP is ideally situated to benefit.

'Benalec remains confident from the above that our two land reclamation and development projects in Johor remain viable for investments in the oil, renewables, chemical and gas markets and for anyone looking to position themselves to take advantage of the inevitable upcoming rise in these markets as the world demand recovers from its current lows,' says Leaw.

More information

www.tgpiaimaritime.com.my

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01 Benalec's fleet of vessels deployed at Tanjung Piai Maritime Industrial Park (TPMIP)

02 TPMIP's first 100 acres ready for topside development

03 Aerial view of ongoing land reclamation work at TPMIP