



The 12th International Fujairah Bunkering & Fuel Oil Forum Fuelling The Future - Solutions & Challenges

23 - 24 March 2021

FUJAIRAH
BUNKERING
Week 2021

In conjunction with the Fujairah Bunkering Week, 15-24 March 2021

Hosted by:



Organised by:



Supported by:



25 March 2021

S&P Global Platts

ADNOC, Fujairah bet on each other's growth with Murban crude futures launch

March 25

The strategically sited eastern UAE port of Fujairah is about to get a facelift as the primary delivery point for a new crude futures contract that could transform how the Middle East's oil is traded.

Since opening its first oil storage facilities nearly three decades ago, Fujairah has grown into the world's No. 3 bunkering center, capitalizing on its location 70 nautical miles outside the Strait of Hormuz shipping chokepoint.

Now, Abu Dhabi National Oil Co.'s plan to launch a futures contract underpinned by its flagship Murban crude grade could build on Fujairah's success to create a major oil trading hub at the crossroads of East and West.

"Fujairah is at the center of ADNOC's strategy to go beyond the border of the UAE," Philippe Khoury, ADNOC's executive vice president for sales and trading, told the Fujairah Bunkering and Fuel Oil Virtual Forum 2021, organized by Conference Connection, on March 23. "We see Fujairah as becoming a tipping point between the producers, exporters and traders, where basically supply meets demand."

ADNOC, with its ambitious plans to expand its crude production and become a bigger player in the global oil market, will use Fujairah's terminal for delivery of the Murban contract, which begins trading on March 29 on ICE Futures Abu Dhabi, or IFAD.

Murban, a light sour crude, comprises nearly half of ADNOC's current oil production capacity and is mostly exported from Fujairah via a 360 km pipeline capable of transporting 1.8 million b/d.

ADNOC is also developing underground oil storage caverns in Fujairah that can hold 42 million barrels, including Murban and the other three crudes the company produces. The project is expected to be finished in 2022 and will help support physical delivery for the futures contract.

"The launch [of Murban futures] will highlight the strength of Fujairah's strategic position, both regionally and as part of the global trade in oil," Mike Muller, president of Vitol Asia, told S&P Global Platts. "There is likely to be further growth in investment in storage facilities and associated tanker traffic."

Vitol is one of nine companies partnering with ADNOC and the Intercontinental Exchange on IFAD. It has a joint venture in Fujairah with more than 1.6 million cu m of storage and an 80,000 b/d refinery.

More storage for exports

Oil and product storage in Fujairah, which started with a capacity of 550,000 cu m in 1994, is forecast to exceed 11 million cu m this year, according to port officials.

The Fujairah Oil Industry Zone, the authority managing the land used for storage tanks and refining in the emirate, is mulling boosting that storage capacity to 17 million cu m in three to four years, its director, Salem al-Hamoudi, said at FUJCON.

Currently, most storage capacity is for oil products but the port and FOIZ expect future demand to be focused around crude.

Zhuwei Wang, Middle East analyst with S&P Global Platts Analytics, said ADNOC's recent decision to remove destination restrictions for all of its crude grades "will substantially help to underpin movements in Murban, especially provided that more than 90% of UAE crude exports headed to Asia in 2020, while the UAE and Fujairah in particular have become the largest contributor to China's crude import growth in 2020."

An average of 896,000 b/d of crude oil was exported from Fujairah in February, or 30% of the UAE's total average shipments of 2.998 million b/d for the month, according to Platts trade flow software cFlow. The share grew to 30% last year from 29% in 2019 and 26% in 2018, cFlow data shows.

Oil exports out of Fujairah are projected to increase further when, as planned, the OPEC+ coalition relaxes its production quotas through the year as the market recovers from the pandemic.

A \$3.1 billion crude flexibility project at ADNOC's Ruwais refinery in Abu Dhabi will also free Murban volumes used in processing for export once complete in 2022.

Attracting traders

Ahead of the futures launch, ADNOC has released a report showing how much Murban it expects to be made available for export. ADNOC said it would have 1.034 million b/d of Murban available in April, falling to 1.001 million b/d in May. For June, the first delivery month for the new futures contract, the volume rises to 1.040 million b/d and then 1.070 million b/d in July and August.

The forecasts will be updated monthly, ADNOC said.

Fujairah's refining sector is set for robust expansion, as well, adding to crude demand at the port.

Brooge Energy expects its new 25,000 b/d refinery -- the emirate's fourth -- to come online in the second half of 2021, while Ecomar is expanding its 22,000 b/d refinery to a nameplate capacity of 67,000 b/d by the end of 2024.

"With Murban possibly becoming a benchmark for the region, we want to part of that growth," Leigh Shaddick, Ecomar's trading director, told Platts.

Despite lacking a robust trading community so far, Fujairah can still thrive as a hub, market participants say. Saudi Aramco, which opened a trading office in Fujairah in 2019, is the most high-profile tenant.

Muller noted that the dearth of traders based in the major US oil and pipeline center of Cushing, Oklahoma, has not harmed its status as the delivery point for NYMEX crude futures. Vitol itself does not have any traders based in Fujairah but plans to be very active in trading on the exchange, as one of its founding partners.

"We live in a global and interconnected world, [so] both Murban futures and Fujairah can succeed without a local trading community," Muller said.