RVB Tank Storage Solutions

Market Report week 32

Summer Edition

Tank storage opportunities & updates

A tank storage broker's perspective

The terminal market is dynamic! Existing tank terminals are expanding, and new terminals are being built. There is enough private equity money around to invest in 12% return projects, but less returns, sub 10%, have also been accepted. Private Equity companies are not to be compared with regular storage companies: they are not as interested in supply & demand nor have operations and safety as a main priority like the regular terminal operator; their main focus is the return on investment.
Terminal acquisitions are in the news regularly and the usual suspects are investment funds and private equity companies. These companies pay high multiples for terminals where organic growth is possible.**Green field terminals are less attractive** for these kind of participants as these terminals will only cost money the first years as no revenue is being created. Existing terminals with existing long-term contracts and expansion opportunities are therefore more favorable.

Long versus short term contracts
Chemicals
For chemicals we witness a **growing demand for stainless steel** for more aggressive products or high-quality products. The same applies for vapor treatment demand due to stricter emission rules and regulations. These tanks are currently not easy to find and the reason for this is that they are expensive to build and that terminals would normally only agree to build those tanks in exchange for a long-term contract.

So, are long-term contracts easy to conclude? Our business is changing constantly and rapidly: What was shipped in 1,000 mt lots 10 years ago is now being shipped in 3,000 or 5,000 mt lots. New chemicals and oil products are being produced or approved or even mandatory for international transport. **Biofuels are up and coming and LPG is being talked about more and more**. As a producer or trader, is it realistic to commit to a tank storage agreement for minimum 10 years? Even a 5-year agreement means a 7-year exposure as you need to allow another 2 years for a terminal to apply for permits and the construction. In 7 years the world can change completely. Therefore, to close long-term contracts can be very challenging unless you have some specific advantages: a connection (pipe-line) to a producer or in the case that the tenant's supply-chain is completely dependent on the terminal.

Oil products
On the oil product side, we see a trend that trading companies and oil major rather **close short term(spot) contracts instead of committing to long term contracts**. Their long-term contracts were priced at higher levels previously and due to current ample availabilities spot contracts are priced lower. This is obviously partly due to the shape of the curve of the different products, but it also has to do with increased interest in optionality and flexibility. Oddly enough, this benefits terminals as well, as they rather close short-term deals at lower rates than close long-term deals in the current low fee environment.

Contract value versus Actual value
As storage brokers, we often wonder if customers select the right terminals and whether terminal owners can build the perfect terminal. In both cases it is mostly money related.

Customers often go for the terminals with the lowest fee. Variable costs such as nitrogen, heating and cleaning costs can raise the cost per metric ton enormously and at the time of concluding a contract it is important to discuss those or include them in the storage rate or at least agree to a maximum. But what is a fair amount and how can such costs be compared? **This requires more than just comparing plain offers**. It requires for instance understanding the tank design to estimate the nitrogen usage (which vents are being used) and this is not easy.

Terminals often go for the cheapest solution. Efficiency is expensive: enough jetties to minimize the demurrage exposure for the customer and the right infrastructure to avoid contamination of the customer's product. Flexibility is expensive too and to achieve your high return goals you may choose to build more tanks instead of spending your money on more expensive flexibility and efficiency enhancements. We have seen examples were long-term contracts were concluded and where the green-field design became a project. As the terminal construction costs overran, concessions were made on the infrastructure: no flow meters per tank, but scales. No dedicated lines, but common lines. No high pumping capacity but cheaper pumps. Even though these performance indicators were stipulated in the long-term contract, **the terminal's performance was compromised over costs.**

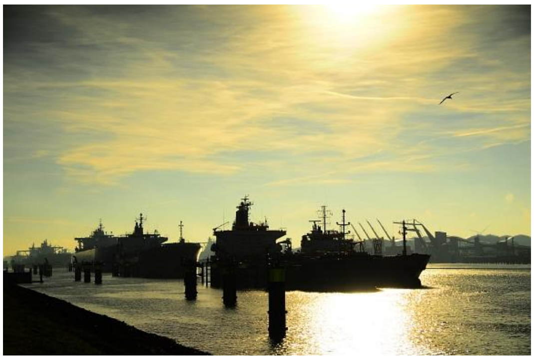
Our added value
The use of a broker is being questioned by some cargo owners but more so by some terminal operators. As a cargo owner, do you have in-house knowledge on nitrogen use, or heating costs? Do you as cargo owner, make the terminal selection based on the rate or on the performance of a terminal? Don't forget: the performance **will save you money** even though at first sight the terminal seems to be the more expensive option.

As a terminal operator do you know all potential customers in the world or do potential customers know how to find you? Finding the right person within an organization can be time consuming and is the most difficult part of our business. By the time you found the person, he or she could have moved on to another position in or outside that organization. **Any additional help to make the match happen**should be grabbed with both hands.

And terminal operators, we kindly ask to keep investing in your infrastructure and capabilities rather than just increasing your capacity, it will pay back in time!

Your tank storage brokers for the best match – Krien, Edo, Robin, Tom & Xiaobo

-- The report continues below the images --



General
The oil market lost quite a bit of value in July in very volatile conditions. Trade war jitters and increased OPEC and Non-OPEC production outweighed bullish geopolitical factors, **notably the renewed US sanctions** on Iran and cancelled Saudi oil shipments through the Red Sea due to Houthi rebel attacks.

Brent
Short term oversupply fears are reflected by the front of the futures curve which is **showing contango up to Jan19**. We see increased inquiries on Crude storage by traders who do not want to miss out on opportunities when this situation persists. Availabilities are limited though.

Gasoline
No real changes on the curve, backwardation up to the winter spec change. **We have seen more enquiries come in for start date Q4 to bank on the contango from there on**. Blenders are also in the lookout, not specifically in ARA but in cheaper locations.

Gasoil
The front of the curve is still relatively weak. The market has been flooded with supplies from the East in the past weeks. **New build VLCC's carried diesel on their maiden voyage from the East to Europe**, taking Fuel Oil from Rotterdam on the backhaul. On the demand side, the fact that supplies out of ARA to inland Germany are now lower due to the Rhine situation (see below) is not helping to get rid of this overhang easily. So, if anything the front could weaken a bit more but when Rhine levels increase later this year, catch-up winter demand will probably erase this situation. **Storage opportunities are still ample**, and inquiries are still on the low side.

Fuel Oil
Even though the fuel market gets more and more backwardated, available storage is hard to come by. Lower exports from Russia have boosted fuel cracks and spread strength remains unabated. Last month there has been some **increased VLCC activity to the East** but currently the E/W is shut by a few dollars.

European inland waterways
Rhine water levels are extremely low at the moment showing absolute minimums of 1.60 – 1.70 m. **A barge can now take not more than 700 MT**. With hardly any rainfall, limited melting water and low ground water levels, this situation could persist for a while causing continued problems for fuel supplies into Germany and Switzerland. Because of these low water levels, each barge can carry only about two-thirds of its total capacity to the upper part of the Rhine. Meaning **more vessels to transport the same volume of goods.** With rates far above the normal freight tariffs, German imports have now seen a drop, hoping for better times to start importing diesel and gasoil again and focusing on local supplies. However, not a solution for the long run as stocks of diesel/gasoil in Germany are low anyway.

Meet the team
Curious to find out what we can do for your business? Please be informed that we will attend following events:

- NISTM Galveston TX, 12-13 Sep
- EPCA Vienna, 7- 10 Oct
- API Austin TX, 16-17 Oct

We encourage terminal operators to keep us updated on their space situation and we can add your availability to the list as well. In the list we also have a couple of **sublease opportunities.** We are open to more sublet interest and welcome cargo owners to show us their contracted tanks which are not being used.

Please see a snapshot of opportunities

(available tanks at the terminals)

capacity (m3)	product	location	available from

Belgium/Netherlands			
406.000	diesel/gasoil	Amsterdam	now
23.400	dirty petroleum prods	Amsterdam	now
118.000	light ends FP<60	Amsterdam	now
15.000	Biodiesel	Amsterdam	now
70.000	Gasoline	Rotterdam	now
108.000	light ends FP<60	Rotterdam	now
135.000	gasoil/diesel	Rotterdam	now
7.000	chems	Rotterdam	now
4.400	Light ends	Inland Netherlands	Q1, 2019
10.000	vegoils	Inland Netherlands	Q3/Q4, 2018
5.900	various	Inland Netherlands	now
13.900	chems	Belgium	Q3/Q4, 2018
110.000	biodiesel	Belgium	now, Q1 2019
78.600	diesel/gasoil	Belgium	now
177.000	light ends FP <60	Belgium	now
North Europe			
4.000	diesel/gasoil	North Germany	now
18.500	diesel/gasoil	Inland Germany	now
4.487	chems	Inland Germany	now
30.000	Gasoline	West Coast UK	now
3.000	diesel/gasoil	West Coast UK	now
13.000	various	West Coast UK	now
14.000	various	East Coast UK	now
1.200	vegoils/chems	East Coast UK	now
15.000	diesel/gasoil	East Coast Scotland	now
100.000	light ends FP<60	Ireland	now
100.000	crude	Ireland	now
10.000	vegoils/chems	Denmark	now
285.000	diesel/gasoil	Denmark	now
651.000	diesel/gasoil	Sweden	now
412.500	dirty petroleum prods	Sweden	now
14.300	vegoils	Sweden	now
7.500	light ends FP<60	Norway	now
4.000	Chemicals	Finland	now
324.000	diesel/gasoil	Finland	now
150.000	crude	Estonia	now
97.000	diesel/gasoil	Estonia	now
48.000	light ends FP<60	Estonia	now
23.500	light ends FP<60	Latvia	now
South Europe/Med/Black Sea			
17.700	various	Portugal	Q3,2018
130.000	Biodiesel	Spain	now
56.000	various	NW Spain	now
5.000	light ends FP<60	NW Spain	now
23.000	vegoils/chems	South Spain	now
25.000	dirty petroleum prods	South Spain	now
110.000	diesel/gasoil	East Spain	now
317.000	light ends FP<60	East Spain	now
55.000	light ends FP<60	East Spain	now
70.000	gasoil/diesel	East Spain	now
80.000	gasoil/diesel	East Spain	now
25.000	dirty petroleum prods	East Spain	now
20.000	dirty petroleum prods	East Spain	now
5.000	chems	North France - inland	now
2.000	chems	South France - inland	now

220.000	Crude	France	now
40.000	diesel/gasoil	NW France	now
19.600	vegoils/chems	NW France	now
105.000	diesel/gasoil	East Med	now
10.000	various	Croatia	now
7.500	chems	NE Italy	now
15.000	diesel/gasoil	NE Italy	now
12.000	light ends FP<60	NW Italy	now
30.000	various	NW Italy	now
8.000	chems	NW Italy	now
46.000	diesel/gasoil	NW Italy	now
7.000	molasses	NW Italy	now
9.900	light ends FP<60	Albania	now
30.000	light ends FP<60	Georgia	now
100.000	dirty petroleum prods	Georgia	now
45.000	dirty petroleum prods	Ukraine, danube	now
30.000	light ends FP<60	Ukraine, danube	now
12.000	dirty petroleum prods	Ukraine, danube	now
5.000	vegoils/chems	Ukraine, danube	now
120.000	light ends FP<60	SE Turkey	now
45.000	dirty petroleum prods	SE Turkey	now
12.000	vegoils	Illichevsk	now
5.000	chems	SW Russia	now
20.000	methanol	SW Russia	now
Africa			
14.200	chems	Egypt	now
6.000	vegoils/chems	Egypt	now
10.000	diesel/gasoil	Egypt	now
2.000	chems	Kenya	now
24.000	chems	Tanzania	now
55.000	light ends FP<60	Ghana	now
10.000	Gasoline	South Africa	now
10.000	diesel/gasoil	South Africa	now
2.200.000	crude	South Africa	now
Middle East			
100.000	various	Gujarat, India	now
97.600	chems	Gujarat, India	now
15.000	bitumen	Gujarat, India	now
100.000	diesel/gasoil	Gujarat, India	now
884.200	various	UAE	now
172.000	diesel/gasoil	UAE	now
91.180	light ends FP<60	UAE	now
74.000	dirty petroleum prods	UAE	now
35.795	chems	UAE	now
Far East			
100.000	light ends FP<60	South China	now
150.000	dirty petroleum prods	South China	now
200.000	dirty petroleum prods	North China	now
500.000	dirty petroleum prods	Gr. Ningbo	now
500.000	crude	Gr. Ningbo	now
100.000	crude	Shandong	now
250.000	light ends FP<60	Yangtze River/East China	now
12.500	chems	North China	now
50.000	chems	Shandong	now
8.000	chems	Gr. Ningbo	now
8.000	chems	South China	now

75.000	dirty petroleum prods	South Korea	now
14.100	chems	South Korea	now
72.500	light ends FP<60	South Korea	now
90.000	dirty petroleum prods	Malaysia	now
34.800	vegoils/chems	Malaysia	now
46.000	light ends FP<60	Singapore	now
300.000	dirty petroleum prods	Singapore	now
270.000	diesel/gasoil	Gr. Singapore	now
255.000	dirty petroleum prods	Gr. Singapore	now
North America (bbls)			
70.000	Biodiesel	California, USA	now
200.000	various	Ohio, USA	now
60.000	chems	Pennsylvania, USA	now
35.000	light ends FP<60	New York, USA	now
200.000	dirty petroleum prods	New York, USA	now
55.000	crude	New York, USA	now
50.000	chems	New Jersey, USA	now
43.000	diesel/gasoil	New Jersey, USA	now
43.000	vegoils/chems	Maryland, USA	now
66.000	dirty petroleum prods	Maryland, USA	now
25.000	dirty petroleum prods	Virginia, USA	now
280.000	diesel/gasoil	Virginia, USA	now
120.000	various	South Carolina	now
100.000	diesel/gasoil	North Carolina	now
60.000	light ends FP<60	North Carolina	now
500.000	Crude	Oklahoma	now
450.000	various	Georgia USA	now
50.000	vegoils/chems	Georgia USA	now
250.000	vegoils/chems	Florida, USA	now
625.000	various	Louisiana, USA	Q3, 2018
178.000	chems	Louisiana, USA	now
380.000	various	Texas, USA	now
35.000	dirty petroleum prods	Texas, USA	now
660.000	chems	Texas, USA	now
Central & South America			
350.000	Crude	Bahamas	now
190.000	various	Puerto Rico	now
553.000	light ends FP<60	Colombia, Caribs	now
7.500	vegoils	Colombia, Caribs	now
250.000	dirty petroleum prods	Panama, Atlantic	now
26.500	dirty petroleum prods	Argentina	now
10.000	vegoils/chems	Argentina	now

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