Oil & Gas Storage Services Market

- What do oil & gas storage services comprise of?
- What are the revenue streams for an oil & gas storage services company?
- What is the customer profile for companies in this business?
- What are the profit margins in this business?
- Where are the major oil & gas storage hubs located?
- How much does it cost to build an oil & gas storage terminal?
- Who are the major oil & gas storage service companies?
- Have there been any M&A deals in this space?
- Is there a connect between an energy exchange and the storage business?
Introduction

Oil & gas storage service providers are a critical logistic midstream link between the upstream (exploration and production) and the downstream (refining and marketing) segments of the oil industry.

How do the oil & gas storage service companies make money?

Companies engaged in the oil & gas storage services business generally earn revenues through:

1) **Storage service fees**

   Fees paid for reserving the storage space in tanks and to compensate for handling up to a fixed amount of product volumes, or throughput, at the terminals.

2) **Throughput fees**

   Fees paid by non-storage customers to receive or deliver volumes of products to designated pipelines, third-party storage facilities or waterborne transportation.

3) **Ancillary service fees**

   Ancillary service fees include the fee for services such as heating, mixing and blending their products stored in tanks.
What is the revenue breakdown of an oil storage services company?

Oil storage service companies earn a major chunk of their revenue from storage service fees (74%) followed by throughput fees (20%) and ancillary service fees (6%).

Exhibit 2: Revenue Breakdown

Source: Al Masah Capital Research

What are the typical profit margins of an oil & gas storage services company?

The profit margins in the oil & gas storage services sector are high. Vopak – the market leader – operates at +50% EBITDA margins. The company managed to report a net profit margin of 28.1% last year.

Exhibit 3: Profit Margins in 2012

Source: Company reports, Al Masah Capital Research
What is the typical customer profile of an oil & gas storage services company?

The typical customer profile of an oil & gas storage services company includes:

- Refiners, because their facilities may not have adequate storage capacity or do not meet specialized handling requirements for a particular product;
- Distributors, who store finished petroleum for eventual distribution to the end consumer, and
- Merchant Traders, that tend to store oil or chemical products for speculative and wholesale purposes.

Demand for storage is also impacted by pricing basis, defined as the differential between spot (or near term) and futures oil prices. A market CONTANGO (futures price exceeding spot) increases the demand for storage from both market participants and speculators looking to take advantage of this phenomenon.

What are the types of commodities stored at such facilities?

Oil & gas storage service providers hold crude oil, both unrefined and refined products including gas oil, gasoline, aviation fuel, naphtha, diesel, kerosene, liquefied natural gas and liquefied petroleum gas.

### Exhibit 4: Products Stored

<table>
<thead>
<tr>
<th>Crude oil</th>
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<tbody>
<tr>
<td>Gas oil</td>
</tr>
<tr>
<td>Gasoline</td>
</tr>
<tr>
<td>Aviation Fuel</td>
</tr>
<tr>
<td>Naphtha</td>
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<tr>
<td>Diesel</td>
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<tr>
<td>Kerosene</td>
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<tr>
<td>Liquefied Natural Gas</td>
</tr>
<tr>
<td>Liquefied Petroleum Gas</td>
</tr>
</tbody>
</table>

Source: Al Masah Capital Research

What is the global market size of the oil & storage services industry?

The global oil storage market is estimated to be ~226 million cbm1. Independent oil storage companies renting only to third parties formed a little more than 60% of the market.

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1 Vopak Presentation
Major oil storage terminals and choke points

Major oil storage terminals

Rotterdam (The Netherlands), Singapore, and Fujairah (United Arab Emirates) are the top three oil storage terminal hubs in the world.

- Rotterdam enjoys a strong position as a trading place and transfer port due to the specialized storage and blending capacity. Rotterdam offers more than 30 million cbm of tank storage capacity for all types of liquid bulk.

- Singapore’s strategic location between the Indian and Pacific Oceans has allowed it to become one of Asia’s major petrochemical and refining hubs. The country’s largest oil storage facility is located on Jurong Island. The government also maintains strategic petroleum reserves of about 32 million barrels of crude oil and 65 million barrels of refined petroleum products.

- The UAE’s port of Fujairah is poised to rival the world’s top two bunkering hubs, Singapore and Rotterdam, thanks to booming demand from the Middle East as well as Asia. Oil storage capacity at Fujairah is expected to rise to around 7.8 million cubic meters by 2014 from its current capacity of 5.8 million cubic meters.

The other storage terminals which are of importance include: Amsterdam (The Netherlands), Hamburg (Germany), Houston (United States), Sao Paulo (Brazil), Shanghai (China), Shandong (China), Dalian (China) and Jiangyin (China).
World oil transit chokepoints

It is a well-known fact that the Gulf Cooperation Council (GCC) is an oil rich region. However, if Iran decides to block the Strait of Hormuz (as it has been threatening to), most of this oil will remain within the GCC rather than being shipped out and thereby constraining trade and income.

About 35% of the world’s seaborne oil exports (or almost 20% of oil traded worldwide) pass out of the Gulf via the Strait of Hormuz.

Similarly, there are about seven world oil transit chokepoints, which, if disrupted could shake the entire oil & gas supply chain.

Chokepoints are narrow channels along widely used global sea routes, some so narrow that restrictions are placed on the size of the vessel that can navigate through them. They are a critical part of global energy security due to the high volume of oil traded through their narrow straits.

By volume of oil transit, the Strait of Hormuz, leading out of the Persian Gulf, and the Strait of Malacca, linking the Indian and Pacific Oceans, are two of the world’s most strategic chokepoints. The importance of Strait of Hormuz grows further because Qatar exports about 2 trillion cubic feet per year of liquefied natural gas (LNG) through this strait, accounting for almost 20% of global LNG trade.
How much does it cost to build an oil & gas storage terminal?

The oil storage service business involves high upfront investment capital, which often works as an entry barrier to the business. Capital costs for oil terminals are estimated at €200/cbm compared to €400/cbm for chemical terminals and €2,000/cbm for LNG terminals. However, the accruals could differ from project to project.

<table>
<thead>
<tr>
<th>Terminal Type</th>
<th>Capital Cost (€/cbm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>200</td>
</tr>
<tr>
<td>Chemical</td>
<td>400</td>
</tr>
<tr>
<td>LNG</td>
<td>2,000</td>
</tr>
</tbody>
</table>

*Source: Al Masah Capital Research*

Oil storage terminals, for indicative capital costs:

- On April 2, 2013, China Aviation Oil Corporation (CAO) said that its new oil storage terminal facility with total capacity of 1.3 million cbm in Yeosu of South Korea has started commercial operations. The oil storage terminal, under construction for a period of two years and with a total construction cost of about **USD500 million**, comprises 36 storage tanks with sizes ranging from 6,000 cbm to 80,000 cbm.

- On January 23, 2013, Vitol Tank Terminals International (VTTI) unveiled a **USD60 million** oil storage terminal at Mombasa, Kenya. The firm said the terminal was one of the largest and most modern in East Africa and has 10 storage tanks with a total capacity of 111,000 cubic meters.

- On Sep 16, 2012, India’s Infrastructure Leasing & Financial Services Limited (IL&FS) and UAE-based Prime Terminal FZE announced that they would pump-in **USD130 million** for developing a 630,000 cbm capacity Tank Terminal for oil products at Fujairah, UAE. The Tank Terminal, located within the Fujairah Zone for Petroleum Industry (FOZ), adjacent to the Port of Fujairah, is being developed in phases with Phase -1 having a capacity to store 333,000 cbm.
On June 1, 2011, Vopak and Malaysia’s Dialog Group announced that they would be developing a USD620 million storage terminal at Pengerang, Johor, with initial capacity of 1.3 million cbm, to meet rising demand for oil storage in Asia. The terminal is expected to be commissioned in 2014.

LNG terminals, for indicative capital costs:

- On March 27, 2013, Singapore’s first liquefied natural gas (LNG) terminal on Jurong Island – built at a cost of USD1.4 billion – received its first shipment from QatarGas. The LNG terminal at Jurong Island comprises of two 188,000 cu m tanks with initial capacity of 3.5 million tonnes per annum (Mtpa). The company plans to expand its terminal to 6 million tonnes per annum with the addition of a third 188,000 cubic-meter tank by early 2014.

- Malaysia’s first LNG Regasification Terminal, Melaka LNG terminal, which was built at a cost of USD952 million, is expected to start anytime soon. The Melaka terminal comprises two floating storage units and a 3 km subsea pipeline connected to a new 30 km onshore pipeline that links to Petronas Gas’ existing Peninsular Gas Utilization pipeline network. The terminal is designed to receive, store and vaporize imported LNG with a maximum capacity of 3.8 million tonnes per annum (MTPA).

- CNOOC and Hainan Province Development Control Co are currently building an LNG receiving terminal at Yangpu in Hainan province – the Hainan LNG project – with a total investment of USD958 million. The project consists of a 3 million tonne per annum receiving terminal, a 3,000 dwt (deadweight tonne) jetty and a 133km-long pipeline. The facility is scheduled to be in operation by the start of 2014.
Major oil & gas storage service companies

There are various classes of owners of oil storage assets, each with their own specific motivations.

Independent Operators

They exist primarily to act as hardware operators and lease capacity to market participants. They operate efficiently and at low-cost, especially in competitive locations. Examples: Vopak, Oiltanking etc.

Integrated Oil Companies

They hold storage facilities primarily to facilitate supply optimization to marketing and retail operations. Integrated oil companies may also use these physical assets for pure trading activities. Examples: BP, Shell, Exxon, Chevron, Total etc.

Traders

Traders are principally concerned with having operational flexibility to capture trading opportunities such as contango, blending, bulk-building and bulk-breaking. Examples: Trafigura, Mercuria etc.

<table>
<thead>
<tr>
<th>Company</th>
<th>Oil storage</th>
<th>Gas storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vopak</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Oiltanking</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Kinder Morgan</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Nustar</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Magellan Midstream</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Buckeye</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Vitol (VTTI)</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>CLH</td>
<td>✔</td>
<td></td>
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<tr>
<td>IMTT</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Sunoco</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>CIM</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Horizon</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Odfjell</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>SUMED</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Dalian Port</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company reports, Al Masah Capital Research
Short profiles of major players

**Vopak:** Headquartered in Rotterdam, Vopak is the world’s largest independent tank storage service provider, specializing in the storage and handling of bulk liquid chemicals, gasses and oil products. Vopak operates 84 terminals with a storage capacity of nearly 30 million cbm in 31 countries. These terminals are strategically located for users along the major shipping routes.

**Oiltanking:** Headquartered in Germany, Oiltanking is the second-largest independent tank storage provider for petroleum products, chemicals and gases worldwide. The company owns and operates 73 terminals in 22 countries within Europe, North and South America, Middle East, India as well as Asia. Oiltanking has an overall storage capacity of 19.7 million cbm.

**Buckeye:** Headquartered in Houston, Buckeye is engaged in mid-stream energy logistics services. Buckeye owns and operates one of the largest independent petroleum products common carrier pipeline networks in the US. Buckeye also provides terminalling, storage and refined product distribution services. The partnership owns more than 100 refined petroleum product terminals with an aggregate storage capacity of over 64 million barrels.

**Vitol:** Headquartered in Geneva, Switzerland, Vitol is primarily engaged in the physical trading of energy products. It is the world’s largest independent oil trader. Over the years, Vitol expanded into terminals, storage facilities, and even refineries, assets that perfectly supplement its core business. In 2006, Vitol established its own storage and terminal subsidiary, Vitol Tank Terminals International (VTTI), and invested heavily to create a major international network of terminals at key trading hubs. VTTI has an oil storage operation consisting of 23 sites and a capacity of approximately one million cubic meters.

**Odfjell:** Headquartered in Norway, Odfjell is engaged in global transportation and storage of bulk liquid chemicals, acids, edible oils and other special products. Odfjell owns and operates chemical tankers in global and regional trades as well as a network of tank terminals.
Key trends

Third party storage companies are vogue

With greater demands on oil and chemical supply chains, storage companies are witnessing steady growth. Third-party storage companies are growing even faster than the industry average because they possess the specialized knowledge and material-handling skills required for intermediate and local storage of such material. Their business model is also well suited to address trade imbalances, and risk issues involving regulations, operations, and supply chain smoothing.

Integrated oil & gas companies are divesting their storage facilities

Most of the large oil & gas companies own and operate terminal storage facilities to help integrate their upstream or downstream energy assets into the larger marketplace. However, of late, these companies are seen increasing their focus on capital intensive, upstream activities that generate riskier and higher returns. As a result, these oil & gas companies are not investing in new storage facilities and are considering selling their older storage facilities to generate cash.

Storage facilities that deliver global connectivity and trading potential remain attractive

In the recent past, large oil & gas companies like Chevron and Shell have been divesting petroleum terminals. Buyers have included Buckeye, Kinder Morgan and Sunoco. All these have interests in pipeline transportation and they therefore have a need to secure storage along their pipeline networks. But where refiners have decided to close or sell plants and associated terminals at coastal locations, there has been keen interest from independent terminal operators finding it difficult to secure capacity or land at suitable venues.

Traders have been buying into storage capacity

Traders make their profit through arbitrage. However, since, oil markets shift quickly, traders find it necessary to hold product somewhere to wait for a better time to sell it on.

Rising demand for above ground storage tanks ASTs

ASTs are in demand. They’re easier and less expensive to install. They’re also easier to monitor since one can see them. Advances in above ground storage tank containment technologies are one reason that ASTs are becoming more widely accepted.

Lack of robust storage infrastructure in large oil consuming countries such as China is also driving the oil storage market

China has seen an upward trend in the petroleum storage industry, with investments coming from the central government, large state-run petroleum companies, private and foreign companies. Sinopec is building an oil storage terminal on the Indonesian island of Batam, a few kilometers south of Singapore. The US$850 million bunker, with a capacity of 16 million barrels of crude, will be completed in about 18 months. The terminal will store both crude and refined products, and will be managed by Hong Kong-listed subsidiary Sinopec Kantons Holdings.
Mergers and Acquisitions (M&A) activity

Major M&A deals in the oil & gas storage space since 2005

Oil & Gas Storage Services Market

Exhibit 9: Major M&A Deals in the Oil & Gas Storage Space

<table>
<thead>
<tr>
<th>Year</th>
<th>Deal synopsis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Oiltanking acquires Helios Terminal Corporation for USD285 million</td>
</tr>
<tr>
<td>2010</td>
<td>Buckeye acquires Bahamas Oil Refining Co for USD1.7 billion</td>
</tr>
<tr>
<td>2010</td>
<td>MISC Berhad acquires a 50% interest in VTTI for USD839 million</td>
</tr>
<tr>
<td>2010</td>
<td>SK Energy International acquires a 10% stake in Euro Tank Terminal</td>
</tr>
<tr>
<td>2007</td>
<td>Odfjell acquires AVR-Maritiem BV from AVR-Industries BV</td>
</tr>
<tr>
<td>2006</td>
<td>Stolthaven Terminals acquires 50% in Oiltanking Antwerp for USD66 million</td>
</tr>
</tbody>
</table>

Source: Thomson Banker

Buckeye acquires Bahamas Oil Refining Co for USD1.7 billion

In December 2010, Buckeye Partners sealed a deal to acquire 80% in Bahamas Oil Refining Company (also known as Vopak Terminal Bahamas) from PE firm First Reserve for USD1.6 billion. Later, it acquired the balance 20% interest from Vopak for USD340 million. In aggregate, Buckeye paid USD1.7 billion in a combination of cash and equity to acquire Vopak Terminal Bahamas.

Vopak Terminal Bahamas is the largest storage terminal facility in the Caribbean, with the ability to store, blend, transship, and bunker fuel oil, crude oil and various petroleum products. The terminal facility includes 80 aboveground storage tanks with a storage capacity of approximately 21.4 million barrels or 3.4 million cubic meters.

According to various research reports, Vopak Terminal Bahamas was forecast to generate an adjusted EBITDA of USD138 million in 2011, resulting in target EV/EBITDA of 12.3x 2011e for the transaction.
MISC Berhad acquires a 50% interest in VTTI for USD839 million

In May 2010, MISC Berhad and the Vitol Group signed a Sale and Purchase Agreement whereby the former would acquire 50% of the shares in Vitol Tank Terminals International (VTTI), a wholly-owned subsidiary of Vitol, for a price of USD735 million, subject to price adjustment. In September 2010, the company informed that the final net purchase consideration was revised to USD839 million resulting in an enterprise value of USD1.7 billion for VTTI.

VTTI owns and operates a network of petroleum product terminals with a gross combined capacity of nearly 6 million cubic meters, which is set to expand to nearly 7 million cubic meters by 2013. With interests spanning over 11 countries and 5 continents, VTTI is one of the top ten independent tank terminal operators in the world. Major terminals are located in Amsterdam and Rotterdam in the Netherlands, Fujairah in the UAE and Port Canaveral, Florida, US.

SK Energy International acquires a 10% stake in Euro Tank Terminal

In July 2010, VTTI announced that it sold 10% of its equity in its Rotterdam, Europort terminal, Euro Tank Terminal BV (ETT), to SK Energy International.

ETT held a storage capacity for 645,000 cubic meters or 4.06 million bbl of oil products. It is expanding development of the third phase and will add an additional 465,000 cubic meters or 2.92 million bbl of storage which was completed at the end of 2011.

Odfjell acquires AVR-Maritiem BV in Rotterdam

In October 2007, Odfjell said that it had acquired AVR Maritiem and renamed it Odfjell Terminals Maritiem B.V. (OTM). The principal business activities of the company were jetty services and waste handling.

Stolthaven Terminals acquires 50% in Oiltanking Antwerp for USD66 million

Stolt-Nielsen announced that its subsidiary Stolthaven terminals has bought a 50% interest in Oiltanking Antwerp NV from Oiltanking GmbH for USD66 million. Oiltanking Antwerp has a capacity of 500,000 cubic meters of tank storage serving the liquid chemical, chemical gas, and petroleum markets.
Exploring the exchange-storage setup

Major energy bourses in the world

The two major energy bourses are the New York Mercantile Exchange (NYMEX) and the IntercontinentalExchange (ICE) where West Texas Intermediate (WTI) and North Sea Brent crude oil are traded respectively. In 2005, ICE launched a WTI crude contract, competing with NYMEX light sweet crude contract and its benchmark WTI.

1) NEW YORK MERCANTILE EXCHANGE (NYMEX)

NYMEX is a commodities exchange, offering futures and options trading in energy, metals and other contracts and clearing services. NYMEX offers crude oil, petroleum products, natural gas, coal, electricity, gold, silver, copper, aluminum, platinum group metals, emissions, and soft commodities contracts for trading and clearing.

2) INTERCONTINENTALEXCHANGE (ICE)

ICE is an operator of regulated global futures, options and swaps markets and derivatives clearing houses for a variety of commodities and financial derivatives. Its core products include contracts based on crude and refined oil, natural gas, power, coal, emissions, sugar, cotton, coffee, cocoa, canola, frozen concentrated orange juice, CDS, currencies and equity indexes. ICE offers electronic platforms for the trading of products in both the futures and OTC markets.

Types of contracts

Both the NYMEX and ICE offer hundreds of energy contracts. In fact, ICE offers over 800 energy contracts. Given below are the key specifications of the most popular crude oil contracts.

<table>
<thead>
<tr>
<th>Exhibit 10: Contract Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent Crude futures, ICE Futures Europe</td>
</tr>
<tr>
<td>Exchange</td>
</tr>
<tr>
<td>NYMEX</td>
</tr>
<tr>
<td>Size</td>
</tr>
<tr>
<td>1,000 barrels</td>
</tr>
<tr>
<td>1,000 barrels</td>
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<tr>
<td>1,000 barrels</td>
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<tr>
<td>Symbol</td>
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<td>B</td>
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<td>T</td>
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<tr>
<td>CL</td>
</tr>
<tr>
<td>Quotation</td>
</tr>
<tr>
<td>US dollars and Cents per barrel</td>
</tr>
<tr>
<td>US dollars and Cents per barrel</td>
</tr>
<tr>
<td>US dollars and Cents per barrel</td>
</tr>
<tr>
<td>Tick</td>
</tr>
<tr>
<td>USD0.01 per barrel; USD10 per contract</td>
</tr>
<tr>
<td>USD0.01 per barrel; USD10 per contract</td>
</tr>
<tr>
<td>USD0.01 per barrel</td>
</tr>
</tbody>
</table>

Source: ICE and NYMEX

Settlement of contracts

In the case of crude oil contracts, settlement can be carried out in two ways: through the actual delivery of oil into a predefined location or through a cash settlement.
In the case of the NYMEX WTI contract, physical delivery is possible and entails delivery into the oil hub of Cushing, Oklahoma. On the ICE Brent contract, there is no physical delivery but a cash settlement is available. In reality, very rarely does physical delivery take place in commodity futures.

Storage facility

The Cushing Hub\(^2\) is the world’s largest crude oil storage facility. It has both pipelines and storage capacity. As of September 30, 2012 working crude oil storage capacity at Cushing, Oklahoma was 64.3 million barrels while the operating shell storage capacity stood at 77.8 million barrels. The utilization rate was 63% as the ending stocks at Cushing were 40.3 million barrels. (Note: The actual usable storage capacity is estimated to be about 80% of shell capacity due to operational and safety constraints.)

\(^2\) Ownership of the Cushing storage is comprised of over ten operators. Enbridge, Plains, and Magellan (formerly BP storage) are the main operators.
The exhibit below provides monthly EIA inventory for crude oil at Cushing. In the past five years, the Cushing stocks have grown nearly four-fold from a low of 13.6 million barrels in January 2008 to a record high of approximately 51.8 million barrels in January 2013.

**Exhibit 13: Crude Oil Inventories at Cushing (million barrels)**

**Source:** US EIA

### Trade volumes

The world's two biggest energy exchanges clock an average crude oil trade volume of ~500 million barrels each day. In 2012, total volume in the Brent contract (ICE) rose 16% to 156.3 million contracts while the WTI contract (NYMEX), dropped 20% to 140.5 million. The average daily volume for Brent contract (ICE) was 620,000 versus 558,000 for WTI contract (NYMEX).

**Exhibit 14: Average Daily Trade Volume For Crude Oil (’000)**

**Source:** ICE, NYMEX and Futures Industry

**Note:** One contract is equal to 1,000 barrels
Recent trend

Brent volume has been growing more rapidly than WTI. In April 2012, the average daily volume of Brent contracts traded on ICE Futures Europe overtook the average daily volume of WTI futures traded on NYMEX. However, according to a Futures Industry report, though the Brent contract may be finding favor with traders/hedgers, it still has a long way to go before displacing the NYMEX as the king of the energy world. NYMEX has a much deeper options market. In 2011, the volume in its main WTI crude oil options contract reached 36.7 million contracts, up 12% from 2010. Brent options trading on ICE had a remarkable jump in volume in 2011, rising from a mere 165,000 contracts in 2010 to 2.2 million contracts, but that is just a tiny fraction of what’s traded at NYMEX.

Does the exchange-storage setup make for good business in the UAE?

We found that Cushing storage system holds about 5-8% of the average daily trade volumes of WTI contract on NYMEX. In 2012, the average Cushing stocks stood at 43 million barrels versus the NYMEX reported average daily trade volumes of 558,000 for WTI contract (equivalent to 558 million barrels), representing 7.8% of the average daily trade volumes. The figures were 5.1% for 2011, 5.5% for 2010 and 5.8% for 2009. In case for the UAE (the base for Dubai Mercantile Exchange or DME), the exchange-storage setup seems better tuned because of large quantities of physical deliveries. DME Oman is the largest physically delivered crude oil futures contract in the world. In 2011, average daily trade volumes for Oman Crude Oil Futures Contract – the flagship product of the DME – stood at 3,505 (equivalent to 3.5 million barrels) with physical deliveries of more than 145 million barrels. For 2010, the figures read as 2,898 contracts (2.9 million barrels) with 144 million barrels.

Exhibit 15: Physical Deliveries of Crude Oil on the DME

Source: DME, Al Masah Capital Research

The DME was launched in June 2007 within the DIFC. It is the first exchange in the Middle East to offer sour crude contracts, and with its base in the Middle East
Oil & Gas Storage Services Market

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