# DEAL ANALYSIS: Fujairah Oil Terminal

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Around a fifth of all oil traded globally, and 35% of oil traded by sea, currently travels through the Strait of Hormuz, the shipping channel which has the United Arab Emirates to the south and Iran to the north. During the last year Iran has made several threats to disrupt shipping through the strait, as a reaction to economic sanctions that the UN has imposed on it. In the face of these persistent threats the UAE has long looked for an alternative trading route, and a new pipeline to Fujairah on the Gulf of Oman opened last year. On 13 February 2013 Concord Energy and Sinomart closed on the $252 million financing for Fujairah Oil Terminal, which will store petroleum products from that pipeline ready for shipping.

The Fujairah Oil Terminal will have a total storage capacity of 1,155,000 cubic metres (m3). This will consist of eight tanks with a total capacity of 569,000m3 for crude oil and fuel oil, four tanks with a total capacity of 164,000m3 for fuel only, six tanks with a total capacity of 152,000m3 for diesel and 14 tanks with a total storage capacity of 270,000m3 for petrol and naphtha. It will have the ability to store crude oil, bunker fuel, gasoline diesel fuel and other petroleum products. State-owned Fujairah Port is the second largest bunkering port anywhere in the world. The new terminal will provide loading and offloading services to partially laden very large crude carriers, blending for fuel oil and gasoline, and the supply of bunker fuel.

Singapore-based commodities trader Concord Energy was initially the sole sponsor of the project, and owned all of special purpose vehicle Fujairah Oil Terminal (FOT). It awarded the engineering, procurement and construction contract to Rotary Engineering in October 2010, but the 21-month construction did not start until last summer. The project only really started moving forward once Sinomart, a wholly-owned subsidiary of the China Petrochemical Corporation (Sinopec), acquired a stake in the terminal in January 2012. Sinomart bought 50% of the equity in FOT for $25 million and acquired the option to take full control of FOT at a later date. It is thought that around half of the space at the terminal will be reserved for Sinopec products. The bulk of the UAEs oil is exported to Asia.

Sinomart and Concord approached the banking market in May 2012 and brought the financing to a close in less than a year. They managed to attract both local and international lenders to the limited recourse deal, but achieved a fairly short tenor compared to the regions benchmark power and oil and gas financings. Crédit Agricole, first Gulf Bank, Maybank, National Bank of Fujairah, Natixis and BTMU are the six mandated lead banks on the $252.86 million debt. Pricing is thought to begin at 300bp, rising to 350bp and then 400bp over the course of the nine-year loan.

Perhaps due to the political sensitivities surrounding the deal, the projects lead lenders remain guarded about the risks that they have assumed on the financing. It is not clear what other customers are taking capacity at the terminal. Higher levels of contracted revenue would have increased lender comfort, though Fujairahs strategic importance means that the sponsors may have been able to get the deal closed with a small merchant component.

The Abu Dhabi government-owned International Petroleum Investment Company (IPIC) partially opened the Abu Dhabi Crude Oil Pipeline (ADCOP) in July 2012, 11 months late. ADCOP can transport up to 1.8 million barrels per day the 380km from the UAEs oil fields in its western desert to Fujairah. The China National Petroleum Corporation subsidiary China Petroleum Engineering and Construction Corporation carried out the EPC contract for that $4.2 billion development. The first oil that went through the pipeline was exported to a refinery in Pakistan, but IPIC is planning to construct a $3 billion refinery in Fujairah. The unit will have the ability to process 200,000 barrels per day, but is not expected to be complete until 2016. The project is still at front-end engineering and design stage, and the Abu Dhabi government has yet to settle on a financing structure for the refinery.

ADCOP is still operating at a fraction of its capacity, and most of the UAEs cargoes still go through Abu Dhabis Jebel Dhanna oil terminal. When the Fujairah Oil Terminal project starts operations next year the pipeline should finally start shipping the cargoes for which it was designed. FOT is just one of several terminals and storage facilities under construction in Fujairah, however, as that emirate seeks to become a major international oil hub. The port authority expects its storage capacity to rise by 2 million m3 to just over 6 million m3 by the end of this year, and by 2015 this capacity to reach 9 million m3.

Fujairah Oil Terminal
STATUS
Closed 13 February 2013
SIZE
$300 million
DESCRIPTION
The construction of an oil terminal in Fujairah, UAE, with the capacity to store 1,155,000 cubic metres of oil and its associated products.
SPONSORS
Concord Energy (50%),
Sinomart (50%)
DEBT
$252 million
LENDERS
Crédit Agricole, first Gulf Bank, Maybank, National Bank of Fujairah, Natixis, BTMU
SPONSORS LEGAL ADVISER
Ashurst
LENDERS LEGAL ADVISER
Hogan Lovells Lee & Lee
EPC
Rotary Engineering