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Malaysia's Benalec fast-tracks Tanjung Piai maritime project, oil storage

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Malaysia's Benalec Holdings is fast-tracking the development of its Tanjung Piai Maritime Industrial Park as demand for oil storage is expected to rise due in part to the International Maritime Organization's upcoming global sulfur cap rule, Ai Lin Leaw, executive director at Benalec, told S&P Global Platts recently.

- **Proximity to Singapore's Jurong Island gives TPMIP advantage**
- **Environmental clearance for park already in place**
- **Tanjung Piai oil terminal targeted to start operations by 2020**
- **Financial incentives to boost storage infrastructure in Malaysia**

The IMO has stipulated a reduction in the maximum sulfur allowed in marine fuels from 3.5% to 0.5% from January 1, 2020. This rule will impact not only shipowners and refiners, but also the bulk liquid storage industry as blending is expected to become more important and complex.

TPMIP is a man-made island located close to the port of Tanjung Pelapas, a major Malaysian container terminal. Benalec, through its subsidiaries, is owner of the project and will be owner of all the reclaimed 99-year leasehold land after land title registration.

The park's proximity to Singapore's Jurong Island, a major global refining and petrochemical hub, and other Southeast Asian ports made it a viable option for storage and distribution, Leaw said, adding that increasing bunker fuel sales at Singapore was also positive for storage expansion in Malaysia.

There are very few new storage opportunities in Singapore and what is operational is often heavily utilized and congested, she said in an e-mail.

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"Singapore is also trying to move its storage facilities underground such as in Jurong Rock Caverns, but we foresee that onshore tankage facilities, besides the added flexibility, will still be more cost-efficient for both developers and storage off-takers," she said.

"With the expansion of the Platts pricing window from FOB Singapore to FOB straits, oil traders can store in Johor as well as Singapore under the same trading conditions. A natural draft of more than 24 meters that can take fully laden VLCCs will also give the traders more options," she added.

Malaysia's existing storage capacity for petroleum products stands at about 4.5 million cu m. However, the country is set to potentially add about 3.6 million cu m in the coming years, with the majority of this storage capacity expected to come online by 2020, as demand supports infrastructure development, she said.

MAJOR HURDLE CROSSED

"Benalec has received full environmental clearance for both the reclamation and topside development of the project already and this will mean that the most significant and time-consuming licensing hurdle has been removed from the equation for potential investors," she said.

The TPMIP project, split into three phases, will take about 15 years to complete. Phase I, which comprises land reclamation and development of around 1,080 acres, was already underway, she said.

Within Phase 1, the first 100 acre parcel will see the construction of the Tanjung Piai oil terminal, with an anticipated storage capacity of 1.1 million cu m and a VLCC draft jetty, and is targeted for operations by 2020, she said.

Benalec is already in talks with several parties that are interested in either acquiring or leasing land within the park, she said.

The Malaysian government is offering various financial incentives to boost storage infrastructure in the country including in Iskandar Malaysia, an integrated economic development in Johor with five strategically planned flagship zones with designated economic activities, she said.

Available incentives include a "pioneer status" which means an income tax exemption up to 100% of the statutory income for up to 10 years; investment tax allowance; and import duty, stamp duty and withholding tax exemptions.

There were also incentives for traders such as the Global Incentives For Trading, or GIFT, program which provided, among other things, a 3% flat corporate tax rate instead of the statutory rate of 24%, she said.

TPMIP falls within Flagship Zone C of Iskandar Malaysia, targeted to attract foreign investment and human capital to help Malaysia reach the developed nation status by 2020, she said.

"The application of free commercial zone status for the park is currently in progress. This means zero import and excise duties for products which are to be re-exported from the park," she added.

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