



Johor: Malaysia's most promising oil cluster

With Johor expected to become one of Malaysia's major oil clusters, Benalec's Tanjung Piai Maritime Industrial Park is poised to become an attractive storage alternative to land restricted Singapore

With significant refining capacity expected to come on stream in the next two years, Johor is one of Malaysia's most promising major oil clusters – and the government has ambitious and strategic plans for its storage capabilities too.

Currently, independent storage capacity in the Johor region is around 3.5 million m³ compared to Singapore's more significant 13 million m³.

However, with new refining capacity from the Petronas RAPID project due to come on stream in the first quarter of 2019, the region could have vast amounts of available storage and logistical potential.

In a bid to capitalise on its potential to become a major oil cluster, the Malaysian government is taking a more active role to reach its target of 10 million m³ of storage by implementing attractive economic strategies and industry regulations to encourage foreign investments into oil storage.

Benalec's Tanjung Piai Maritime Industrial Park project is aligned to be an integral part of the Malaysian government's plans for Johor to become a regional oil and gas hub.

AN ATTRACTIVE ALTERNATIVE

The park, a man-made island spanning 3,485 acres of land, intends to offer a viable and attractive storage and logistical alternative to draft and land restricted Singapore.

Its location within Platts FOB Straits oil price assessment and its proximity to Singapore's Jurong Island, one of the most important refining

and petrochemical hubs in the world, makes it an attractive and viable storage location.

Benalec, the master developer of the park, aims to transform it into an integrated oil and gas complex in the longer term. Reclamation of the land is spread across three phases and is expected to take 15 years to complete.

The first reclamation phase comprises 1,080 of land and Benalec is currently in talks with several parties who are interested in an outright purchase of land as well as the leasing of several plots of land within the park.

Since obtaining full environmental impact assessment (EIA) approval in June 2016 for

all three phases of its reclamation project, the company has sand-filled up to 200 acres and is concentrating on preparing the first 100 acre plot on the southwestern tip of the park for development. This will eventually contain the Tanjung Piai Oil Terminal – a deepwater oil storage facility. The first phase of the terminal project is due to be operational by early 2020.

The plot is currently undergoing soil consolidation works using prefabricated vertical drains to accelerate the consolidation process. Once complete, surcharging and rock revetment will follow and this 100 acre parcel of land is expected to be fully ready for topside construction works by the first quarter of 2018.



The park is a man-made island spanning 3,485 acres and will be developed in three phases



Work is underway to prepare the first 100 acre plot for development

TANJUNG PIAI MARITIME INDUSTRIAL PARK AT A GLANCE:

The park is a man-made island with sea fronting industrial land spanning 3,485 acres within the vicinity of Port of Tanjung Pelepas

Phase 1 comprises 1,080 acres of land and will include the Tanjung Piai Oil Terminal, which is due to be completed by 2020

The park features natural water depths of up to 30 meters, which leads to significant costs savings in jetty design and construction

It has direct access to the Straits of Malacca, which attracts more than 30% of global oil trade

struction works by the first quarter of 2018.

In an interview with *Tank Storage Magazine* Mike Beviss, senior commercial advisor for Benalec Holdings, explains that the development has several unique characteristics that make it ideal for operating bulk liquid terminals.

'It is strategically located at the confluence of Malacca Straits, Singapore Straits and Johor Straits, making it well placed to capture value-added activities from one of the busiest shipping lanes in the world, including the movement of oil tankers representing over a quarter of the global oil trade.

'It is also close to other major ports in South East Asia, and coupled with its natural deepwater of 30 metres and the availability of vast tracts of land for future expansion, we believe that it is an extremely viable alternative to Singapore.

'We have currently identified and are in negotiations with a first-class terminal operator, together with a prospective term customer, with whom we hope to conclude

mutually acceptable arrangements by the end of 2017.'

The entire project has been granted EIA approval, including pre-approved works for topside development of oil storage terminals. Beviss says this removes the most significant licensing hurdle for potential developers and will significantly expedite any future project developments.

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ECONOMIC ADVANTAGES

There are several economic benefits that the hub offers traders and operators who are looking to start business in the flourishing region.

Ai Lin Leaw, executive director of Benalec Holdings, says: 'The park falls under flagship Zone C of Iskandar Malaysia – a 2,217 sq km economic development masterplan with five flagship zones, each with designated economic activities. The government-initiated masterplan aims to attract foreign investments and human capital to elevate the country to a developed nation status by 2020. Zone C of the masterplan also encompasses VTTI's ATT Tanjung Bin storage facility as well as the Port of Tanjung Pelepas.

'Incentives available for storage terminal developers within Iskandar Malaysia include pioneer status, which grants up to 100% corporate tax exemption between five to ten years or investment tax allowance, which provides for an allowance of 60% to 100% of qualifying capital expenditure incurred to be set off against corporate tax payable for the corresponding time period.

'There are also incentives for traders, including a flat rate of 3% corporate tax on chargeable income. Another new industry regulation is the fact that the Malaysian Ministry of Finance decreed in July 2017 that goods and services tax will be zero rated for all storage, blending and heating services provided by Malaysian terminal operators within bonded warehouse areas and free commercial zones to its overseas storage customers.

Additionally, Leaw adds that Benalec is also applying for a free commercial zone status for the entire park, meaning there will be no import and excise duty if a product is re-exported or until it leaves the zone for domestic use.

STORAGE VISION

Beviss says: 'Our ambition has always been to create an integrated oil and gas complex, a smaller but similar version of Jurong Island. We would like to see storage of feedstocks, power plants and downstream oil and gas related plants, although we do have enough land to be open to other market demands such as renewable fuels and other marine industries.

'We continue to see demand for the storage of oil products and components that need blending for distribution in the region, which includes fuel oil, middle distillates and motor petrol.

'In the future we probably will also see increased demand for crude oil storage and blending, making the park ideally placed to satisfy this future requirement.'

FOR MORE INFORMATION

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