

The Demise of Oil Terminals in Singapore? By Robert Khan

Waterloo Street, Singapore – June 14, 2017. Robert Khan was invited to value one of the largest bulk oil terminals in Singapore during their divestment phase.

Robert Khan got involved with the project as an Independent Valuer to assess the market value of the terminal and its qualifying plant and machinery for capital allowance claims.

Bulk oil terminals are industrial facilities that serve to store oil and other petrochemicals as often act as the nexus for deposits and despatch of the refined products, facilitated by VLCCs or Very Large Crude Carriers. These vessels discharge various fluids into large tanks as well can receive said high-value products en mass.

The team at Robert Khan was able to meet the requirements of this unique project directly due to the breadth and depth of experience accrued over two decades in the business. The approach undertaken by the team was a holistic one where the depreciation of the assets, the environmental and technological changes and even the replacement value of the terminal in today's dollars, resulted in the proposing of a Value that is backed by a robust framework.

During the interim period, each piece of plant or machinery throughout the large facility was depreciated over a specific time frame. However, a robust framework must take into consideration the replacement approach of valuing the assets. Since the commissioning of the terminal, the cost of skilled manpower, raw materials and construction costs have appreciated exponentially to the point where replacing some of the fully depreciated yet economically functioning assets might be more than the original cost.

A commonly overlooked perspective is the political and environmental contributors. As the terminals are intertwined with the shipping routes they support, the Arctic route also lends a potential impact on the future value of the terminal. The Arctic route which connects Europe to northeast Asia via the Arctic Circle north of Russia is drawing interest and hence poses a possibility of demand slipping away from the Straits of Malacca.

Robert Khan is proud to have presented a robust and clear proposal on the market value of one of the largest bulk oil terminals in Singapore and the region. The divestment since then has been successful executed. Valuation of assets is a multidimensional and interdisciplinary practice that is more technique than technology. We hope you have enjoyed this insightful piece on one of Robert Khan's projects.

China's New Shipping Frontier

How the new Northern Sea route compares to the traditional Suez Canal route

NORTHERN SEA ROUTE

Travel time
35 days
Dangers
Icebergs
Travel window
July to November
Container-carrying vessels
One this year

SUEZ CANAL ROUTE

Travel time
48 days
Dangers
Access to Suez Canal under question with upheaval in Egypt
Travel window
Year-round
Container-carrying vessels
17,000 last year



Sources: Northern Sea Route Information Office; National Snow and Ice Data Center; Cosco; Lloyd's List

The Wall Street Journal

At Present

However, should stakeholders of bulk oil terminals around the world seek a better estimation or evaluation of their assets today, there are other Geopolitical and transnational infrastructure disruptions one must consider.

At Myanmar's Kyaukpyu port, the first tanker with a capacity of over a million barrels product was successfully filled up. This port is supported by the China-Myanmar pipeline that directly connects China to a new coastline.

Closer to Singapore, the Kra Canal's proposed site in southern Thailand would serve as a connection between the Gulf of Thailand and the Andaman Sea. This development is widely believed to potentially compromise the city state's strategic advantage.

Robert's Recommendation

In times of uncertainty and structural changes which are yet untested and unproven, businesses can stabilize by falling back on the bedrock of relationships built. These key relationships are often nurtured and tested over many decades and serve as a sound counterbalance against the volatile climate, geopolitical power shifts and constant threat of terrorism and unfair taxes. On this note, businesses need to grow closer and collaborate to achieve sustainable financial goals.