



Welcome to the 2011 edition of the *Future Refining & Storage* supplement, produced jointly by *Petroleum Review* and *Hazardous Cargo Bulletin* (HCB).

A lot has happened since the last issue a year ago. Refining margins began to pick up in the latter part of 2010/2011 on the back of growing global demand growth, in particular from developing nations such as China and India. However, the refining market remains challenging for operators as the global economic recession continues to impact all business sectors and a large surplus in refining capacity remains despite rationalisation in some of the more mature markets.

The past year has seen a number of trends developing in the refining sector, many reflecting particular local conditions, as highlighted in our lead article. Perhaps most notable of these was the disconnection of WTI from the global crude market price in early 2011, caused by rapidly rising US mid-continent output and a lack of pipeline infrastructure to move that production to the main coastal refining centres. Coupled with the growing availability of Canadian crude oil, this led to high stocks at Cushing. Strong demand growth in Asia has helped refiners in the region to maintain high utilisation rates, while, in Europe, demand has continued to decline as nations struggle to bring large national debts under control. As a result, a number of refineries have closed down over the past year, with more currently up for sale.

The shift to a new energy mix represents a huge challenge for the refining sector across the globe, as the drive for energy independence and lower carbon emissions supports the growth of biofuels, natural gas and electricity

at the expense of traditional transport fuels. As a result, many companies are now looking to radically transform their downstream operations in order to remain competitive.

Similar trends have affected the storage terminal sector over the past year. In the US, 'midstream' operators have invested in new terminal and pipeline capacity to help handle mid-continent output, particularly in the new shale oil market. Often this capacity is being acquired from oil majors, who seem keen to divest themselves of these assets and concentrate on their upstream and marketing activities.

Investment has also been needed to cope with the increasingly wide range of fuels being demanded by government mandates in various markets. Terminal operators have had to get used to the technical challenges of handling bio-ethanol and biofuel feedstocks, as well as the problems involved in accounting for divergent duty rates.

Fortunately, for most terminal operators, the decent level of earnings seen right through the recent downturn has continued this year, even if profit growth has been harder to achieve. Equity investors are still eager to enter the business, which is just as well given the need to continue expanding storage capacity in the emerging markets in Asia, the Middle East and Latin America. Meanwhile, northern Europe continues to look for more capacity, not least to help handle fuel flows from the Baltic and to act as a blending centre to help downstream users meet their fuel specification requirements.

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**Front cover: Shell recently unveiled plans to cease refining operations at the 79,000 b/d Clyde refinery in Sydney, Australia, and convert it and the Gore Bay terminal into a fuel import facility before mid-2013**  
*Source: Shell*

## Contents

Refiners face challenging times but terminals offer some help for traders	3
Is there room for a domestic refining sector in the UK?	7
New energy streams require adjustment by refiners	13
Common mistakes in process automation and the problems they cause	15
Measuring losses is the first step towards minimising losses	18
Limited scope for Czech refineries to expand operations	19
Turkmenistan needs investment to reach its potential as an energy supplier	20
Terminal operators are busy investing in assets to help bring product to market	23
South-east Asia expands capacity in response to local and global factors	26
Matching safety against the rest of the sector	28
Preparation is key to ensuring liquid cargo is moved without contamination	30



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