

SPECIMEN

# Commercial realities are KEY TO NATION'S **FUTURE** **ENERGY**

After years of a monopoly controlling Jordan's oil sector, a new era is dawning with one company at the forefront of bringing change, modernisation and commercial efficiency – the Jordan Oil Terminals Company (JOTC). James Wills reports.

**I**N the Hashemite Kingdom of Jordan, energy has long been at the forefront of government thinking. While nature bestowed massive oil reserves on some of its neighbours, such as Iraq, Saudi Arabia and Syria, Jordan has to import more than 90% of its energy. Not only does this present major economic challenges, but in a region of the world beset by periodic conflict, security of supply can also be an issue. On top of this, for years the government also subsidised energy costs for the country's 10 million inhabitants, which caused it major fiscal headaches.

But the country, which is frequently referred to as an "oasis of stability" in the region, has not buried its head in the sand over these issues. Jordan has major shale oil deposits which are gradually being developed, proposals exist for the development of nuclear energy, and renewable energy production is also expanding.

The petroleum industry has also seen major changes. In 2008 the government ended the 50 year monopoly enjoyed by the Jordan Petroleum Refinery Company's (JPRC) on importing, refining, storing, transporting and marketing petroleum products.

As part of this restructure, the country's storage, handling, transportation, aviation fuelling and bunkering services were signed over to the newly-created Jordan Oil Terminals Company

in 2015. While still government-owned, it operates independently, without subsidy, and its infrastructure and services are open to licensed parties who wishes to benefit from these services.

JOTC has three major facilities. The state-of-the-art Amman Strategic Terminal for Petroleum Products only began operating in 2019 and was built with the assistance of the Abu Dhabi Development Fund. It is the biggest independent reservoir of petroleum products in the kingdom and must always hold enough reserves to meet the country's demands for 34 days – which is almost half of the required governmental strategic stock of petroleum product. This should help alleviate supply problems which would affect the country in the future for any reason.

The Aqaba Oil & LPG Terminal on the country's slim Gulf of Aqaba coastline is Jordan's gateway for gasoline, diesel and LPG imports. Thirdly, there is an older heavy fuel oil storage terminal at Aqaba which caters for the heavy fuel market.

## Challenging times

As JOTC's General Manager Kholoud Mahasneh admitted, the road to JOTC becoming fully operational has been challenging, and there are still hurdles to overcome. However, for the first time in decades, a commercially-focused company is now running operations. ▀



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“However, the aviation fuelling represents a major opportunity for us as normally the country’s three airports require 1,000 tonnes of fuel a day, though due to Covid-19, this is currently down by more than 80%. Nevertheless, I am confident the transfer will soon be achieved.”

Despite such difficulties, getting a new company set up and running, with the best facilities and working practices, is a massive achievement in such a short time.

As Ms Mahasneh said: “There are always challenges starting a business, especially when you are owned by a government. But our situation is improving every year and for a commercial company to be operating in this field is a massive change.

“In the longer term, we have ambitious plans to work with the government in the process of upgrading the country’s petroleum infrastructure, which could be building new pipelines to new markets. We have long term plans to build more terminals, obviously dependant on the circumstances in the future, and it is exciting to be able to look forward to a new future.”

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already serving some of these customers. This means increased competition in the Jordanian petroleum industry which should benefit both consumers, and ultimately the government as well.”

She added: “For any new licensed operator wishing to store, transport and sell petroleum products and LPG, our company represents a major a new opportunity because they can do so without having to build their own expensive infrastructure. Furthermore, they can do so safe in the knowledge our facilities are state-of-the-art and meet the most stringent international standards.

“One of our goals has always been to adopt the highest operating and health and safety standards, with the most highly-qualified staff.”

However, such admirable standards also come complete with costs and Ms Mahasneh is clear there are challenges in this area too.

She said: “In Aqaba there are three other competing companies who already have storage facilities. However, these were built for

chemicals and then adapted to handle petroleum products, presumably because it was more profitable.

“However, these are not built or run to the same safety and industry standards which our facilities are. The industry is also regulated which means the government sets the prices for storage which makes competition difficult.”

## Market share

Despite the challenges, JOTC has made great strides in improving its market share and has numerous price models to meet customers’ needs.

“Our three sites also have different operating costs which help us to balance costs against revenues. We are also working with the government regulator to look again at these tariffs as building and operating these modern terminals to proper industry standards costs more than running old ones. It is not a level playing field.”

Another challenge the company faces is also getting control of all the assets it is entitled to. The vital aviation fuelling segment at Jordan’s three airports remains under JPRC control – for now.

Ms Mahasneh said: “Getting all the assets transferred from JPRC, which had a monopoly for so long, has been a lengthy process and the Covid-19 pandemic is making this process more difficult. There are pre-existing contracts related to these activities which need to be revised, JPRC has had a relationship with the government for more than 50 years and it would be a very complicated transfer.

