



# BULK LIQUID STORAGE TERMINALS

## CURRENT TRENDS

- Forecasters expect global petroleum inventories to experience a period of relative stability in 2021, in contrast with the volatility seen in 2020.
- Industry leaders anticipate bulk liquid terminals will become more significant relative to bulk dry terminals over the next decade, because of gradually declining demand for hydrocarbons.
- Forecasts call for modest long-term growth in global liquids storage capacity; they predict the largest capacity growth will occur in Asia.

## PROJECTED VALUES (12-MONTH OUTLOOK)



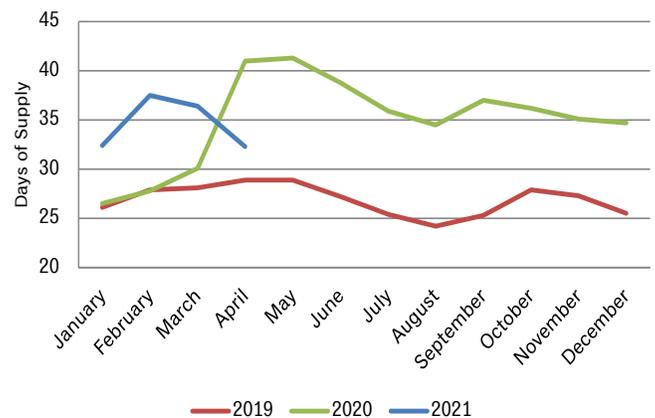
## GORDON BROTHERS BY THE NUMBERS

**\$86B+**  
transportation assets  
appraised & disposed

**2,100+**  
transportation  
engagements

**8,500+**  
data points in proprietary  
database

## UNITED STATES CRUDE OIL STOCKS



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**CHALLENGES FOR REFINERY OPERATORS:** Refineries represent the primary upstream product suppliers for the bulk liquid petroleum industry. However, challenging conditions within this segment of the industry, primarily because of reduced demand levels arising from the COVID-19 pandemic, have placed pressure on profitability.

As a result, some midstream operators have temporarily or permanently idled or intend to sell. Given current stressed industry conditions, there are limited buyers in the marketplace who wish to purchase these facilities.

**GRADUAL RETURN TO NORMALIZED DEMAND LEVELS:** The Energy Information Administration (EIA) estimates global petroleum and liquids fuel consumption averaged 94.8 million barrels per day (b/d) in the first quarter of 2021, which represented a decrease of 0.7 million b/d relative to the first quarter of 2020. However, EIA expects global petroleum and liquid fuels demand will grow by 5.4 million b/d in 2021, and by 3.7 million b/d in 2022, as countries recover from the pandemic.

In conjunction with this growth in demand, the EIA forecasts commercial petroleum inventories will decrease 75.4 million barrels during 2021 to 1,268.9 million barrels, representing a decline of 5.6%. With a normalization of production and consumption levels, the EIA predicts commercial petroleum inventories will rebound to 1,289.7 million barrels by the end of 2022.

**REBOUNDED CRUDE PRICE EXPECTATIONS:** As the industry continues to emerge from the pandemic, the EIA expects West Texas Intermediate (WTI) crude oil prices will average \$59 per barrel in 2021, representing a substantial rebound from the average of \$39 per barrel in 2020.

The most significant increase in pricing took place during the first quarter of 2021, when average WTI prices grew from \$42.50 in the fourth quarter of 2020 to \$58.09 during the first quarter of 2021. In 2022, the EIA forecasts WTI will remain within a narrow range, averaging approximately \$57 per barrel for the year.

**LOCAL VERSUS GLOBALIZED FUNCTION:** While global factors such as cash flows and commodity price dynamics influence terminal markets at a macro level, local market conditions also impact them, as tank terminals maintain localized operations.

In general, a tank terminal serves multiple purposes, including acting as a logistics function, a trading platform and strategic storage. However, commercial clients' operational requirements generally lead operators to focus on the logistics and trading functions.

**SHIFT FROM DRY BULK TO LIQUID BULK TERMINALS:** Dry bulk terminals continue to represent a larger share of overall market value relative to liquid terminals, with iron ore and coal representing most of the dry bulk category. However, dry bulk terminals will likely fade because major coal consuming countries are focusing on sustainability and, therefore, on reducing coal consumption.

In contrast, the EIA expects bulk liquid terminals will experience increases over the next decade, in response to reductions in worldwide demand for petroleum and liquid fuels.

**INDUSTRY STRUCTURE AND PROSPECTS:** Chinese national oil companies represent the largest players in the global tank terminal operator segment. In contrast, the U.S. has a larger number of midstream operators that, when combined, rival Chinese tank capacity. Overall, bulk terminal capacity is expanding, which signals a favorable business environment, especially in the U.S., China, the European Union and the Middle East.

The largest markets of the global terminal expansions include China, Texas and the Middle East, with the Middle East having the largest number of new terminals.

**INCREASED EMPHASIS ON AUTOMATION:** Terminal automation is a key emerging trend in liquid bulk terminals. It helps operators transport different grades of bulk liquids, manage high-risk settings, deliver accurate amounts of bulk liquids in small vessels and maintain an optimum level of safety and security.

Automation integrates software and mechanical equipment that work on command and offers automatic scheduling, inventory management, safety features and recordkeeping.

**POSITIVE OUTLOOK:** Considering current trends, forecasts expect the gasoline and petroleum bulk storage industry to grow over the next several years. This expected growth will occur because of global demand for crude oil and petroleum products in the near-term, which analysts anticipate will continue to rebound slowly as economic activity recovers from the pandemic.

Significantly, forecasts predict U.S. production of oil and petroleum products will return to recent historical levels after experiencing significant declines in 2020. Of course, any setbacks in the world's effort to contain the coronavirus pandemic would substantially impact economic activity and demand for energy products.

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Mark Winger brings extensive experience to the Business Valuation practice including numerous professional certifications including CFA, CPA, ABV and ASA in Business Valuation. Read his full bio [here](#).



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