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Domestic Fuel Production

General economic and consumer income growth over the past seven years has propelled an increase in domestic fuel consumption. Due to Myanmar's severe lack of refining capacity, demand growth has outstripped supply, and the country relies heavily on fuel imports.

Although there are a few operational refineries owned by the state, as well as some artisanal or small-scale facilities scattered throughout the country, actual production remains limited. Poor operational efficiencies, aging infrastructure and insufficient investment have stunted refining capacity and domestic output only meets about 5% of national demand at present.

Given the financial constraints of the domestic market, foreign capital will be essential to bring meaningful new capacity online in future, especially if domestic consumption reaches 200,000 bpd by 2025, as some analysts predict.

The government had earlier approved the construction of a new refinery (100,000 bpd) by China's Guangdong Zhenrong Energy in the city of Dawei, Tanintharyi Region, as part of a $3bn investment. The project was to include an oil terminal and other storage and distribution facilities.

However, the project saw major construction delays for about two years and due to financial constraints faced by the Chinese developer, the government cancelled it in 2017. Beyond this Dawei project, companies from Japan, China, and South Korea have expressed interest in upgrading a state-owned refinery in Thanlyin.

State-owned refineries

Myanmar currently has three old state-owned refineries, with a total installed capacity of 51,000 bpd:

- Thanlyin Refinery: installed capacity of 20,000 bpd
- Chauk Refinery: installed capacity of 6,000 bpd
- Mann Thapayakan Petrochemical Complex: installed capacity of 25,000 bpd

The Thanlyin Refinery has been temporarily shuttered due to the unprofitability of the state-owned operation. As of July 2019, the Chauk Refinery and the Mann Thabayarkan Petrochemical Complex are running on batch operations dependent on the amount of crude received. The refineries' utilisation rate currently hovers around 40% due to poor infrastructure and management, and they consistently face issues with fuel quality.

The state-owned refineries use domestic crude oil feedstock, which is supplied to refineries via vessels. Fuel produced by the refineries is typically supplied to state-owned fuel stations in Naypyitaw, Yangon, Mandalay and Bago, as well as directly to some state-owned enterprises.

Fuel Storage

Myanmar imported around $2.7bn worth of fuel products in 2018, according to the International Trade Center (ITC). Local retail prices are typically higher than most other countries in the region, something which is a frequent source of public complaints. The country imports the majority of its fuel from Singapore and, to a lesser extent, Thailand, China, India and Malaysia.

A lack of fuel storage capacity within the country has sometimes been blamed for higher prices, which has led to a push for both greenfield and brownfield fuel storage and import terminal projects.

Most of the existing and proposed storage and import terminal projects are located in and around Yangon, the commercial capital and traditional port of entry in Myanmar, though there is interest in establishing terminals in other areas of the country, such as Rakhine Sate, Mon State, Ayeyarwady Region and Tanintharyi Region. If developed, additional SEZ projects throughout the country are likely to incorporate some type of fuel terminals as well.

According to the MOEE, around 10 large companies currently have fuel storage and distribution facilities, while 1,445 distributors of various sizes operate across the country.

Existing storage and import terminals

Puma Energy Asia Sun (Yangon)

The facility is located at plot 3 of the Thilawa Port Area in southeastern Yangon Region.

The facility's developer, a joint venture between Puma Energy (80%) and local firm Asia Sun (20%), was the first foreign company which received permission to store fuel. The $92m terminal officially launched in May 2017, though it had been operating for several months.

The facility has a total capacity of 91,000 cubic metres, with storage for gasoline, diesel, bitumen and jet fuel. It includes a 168m long, 25m wide terminal with two mooring dolphins capable of accommodating 185m LOA ships of up to 30,000 dead weight tonnes. The company claimed that the facility is the most modern in the country, capable of providing throughput of about 30% to 40% of the Myanmar's total market.

In mid-2017, Puma Energy Asia Sun received an expanded license allowing it to engage in distribution, import and retail along with storage.

Puma Energy is 49% owned by commodities trader Trafigura and 30% owned by Angolan state oil company Sonangol. In Myanmar, besides the fuel storage business, Puma operates in the jet fuel business in a joint venture with MPPE called National Energy Puma Aviation Services (NEPAS).

Elite Petrochemicals

The facility is located at plots 15 and 16 of the Thilawa Port Area in southeastern Yangon Region.

It is operated by Elite Petrochemicals, a subsidiary of Ayer Shwe Wah Group, and was officially launched in May 2018.

Phase 1 consists of 3,000 tonnes of LPG storage and an associated terminal, costing $48m. Plans were drawn up with the help of China Harbour and China National Petroleum Corporation (CNPC). Company officials are considering further expansion of the facility, with plans for phase 2 consisting of 25,000 tonnes of LPG storage space.

APEX Gas & Oil Public

OVERVIEW

Parent company	APEX Gas & Oil Public Company
Station names	Yadanar, Apex Gas & Oil
Ownership	Privately-owned
Affiliated companies	APEX Petroleum, Anawar Hlwan, Apex G&O Group Hotel, Dawei Development Public
Establishment date	2013
Roles in supply chain	Import, storage, distribution, wholesale, retail
Number of stations (operational)	15
Number of stations (planned)	N/A
Areas covered	Bago, Kachin, Mandalay, Tanintharyi, Yangon
Workforce (group)	N/A
Number of depots	N/A

COMMENTS

Despite officially being established in 2013, Apex Gas & Oil Public subsidiary Anawar Hlwam has operated retail fuel stations since the MOE began transferring state-owned fuel stations to the private sector in 2010. APEX is one of the largest fuel importers, distributors and wholesalers in Myanmar. The group has its own fuel terminal, named Great Petroleum Terminal, at the Thilawa Port Area (Plot 1/2-B). The group shares the plot with Myat Myittar Mon and Shwe Taung Development. According to MPA, the terminal first began accommodating international vessels in 2015.

The facilty houses three gasoline storage tanks, each with a capacity of 15,000 tonnes, and two diesel storage tanks, each with a capacity of 27,500 tonnes.

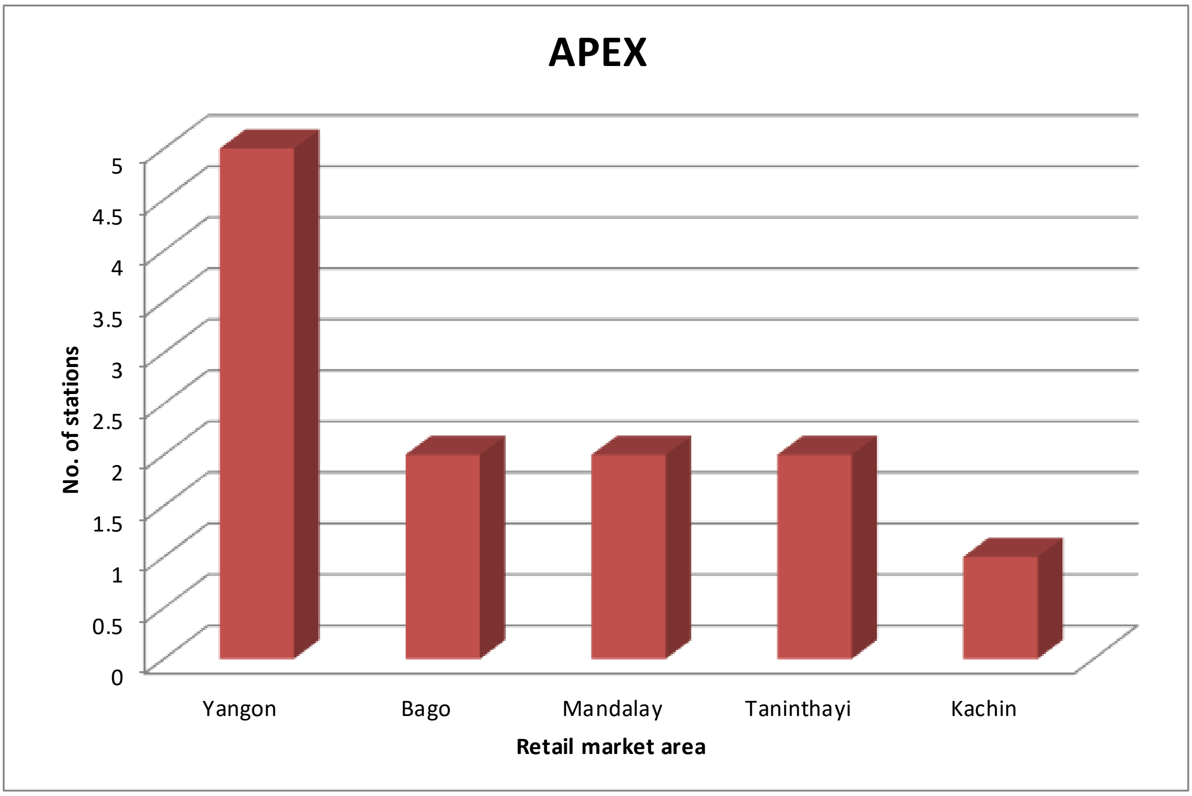
Regarding the retail fuel segment of the market, Anawar Hlwam acquired 17 state-owned stations through MOE's privatisation scheme in 2010. According to the MOEE, the group now operates seven Yadanar brand stations in Bago and Yangon Regions, and 12 APEX Gas & Oil branded stations in other administrative divisions.

In March 2018, a company called Apex Union Gas received MIC approval to build an LPG terminal and bottling plant, as well as carry out the importation, storage, distribution and sale of LPG. The facility appears to be located at the same location as Apex's existing Thilawa facility. Apex Union Gas is a joint venture with Thai entities.

Outside of the downstream energy industry, the group has interests in construction, manufacturing, hospitality & tourism, aviation and trading.

APEX Gas & Oil stations

States/ Regions	Number of stations	Cities/ Townships
Yangon	5	Khayan, Kongyangone, Kawh Mu, Kyauktan, Teikkyi
Bago	2	Ok Ship Pin, Paungde
Mandalay	2	Amarapura, Tada-U
Tanintharyi	2	Dawei, Myeik
Kachin	1	Myitkyina
Total	**12**	



Mandalay Region

Area	30,881km^2
Population	6,165,700
Capital	Mandalay
Main cities	Mandalay, Pyin Oo Lwin, Myingyan, Meiktila
Number of private households	1,323,200
Total fuel stations	631
Registered vehicles (total)	2,261,200
Gasoline vehicles	2,091,500
Diesel vehicles	164,600

Mandalay Region has emerged as Myanmar's second-most important urban centre, following Yangon. Previous to the period of British occupation, it was the capital of an independent Burma. Despite the capital subsequently shifting to Yangon and then Naypyitaw, it is still seen as being very much at the centre of the Myanmar cultural heartland.

The region is landlocked and but bounded on the west by the crucial Ayeyarwady river. Its neighbours across the river are Sagaing and Magway Regions, while it borders Shan State to the east, and Naypyitaw to the south.

It is the terminus on both the old and new major highways north from Yangon, and is home to the second-most used international airport in the country. It is also home to Bagan, one of Myanmar's preeminent tourist destinations.

Mandalay's economy has in large part been dependant on its size and central location. It is generally the preferred location for distribution activities into Upper Myanmar, as well as for exports out of the area.

The existing Mandalay Port, located south of Mandalay on the Irrawaddy River, is one of the busiest inland water ports in Myanmar. It is slated for a major upgrade to begin in late 2019.

Mandalay Region has more retail stations than any other administrative division in Myanmar. The region currently has 631 retail fuel stations. Major fuel retailer DENKO has the largest presence in the region.

According to RTAD, there are a total of 2,261,200 registered vehicles as of H1 2019, including 110,050 private cars, 4,500 passenger vehicles, 126,600 light trucks, 16,000 heavy trucks and 1,912,300 motorbikes.

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