

Jordanian Downstream Petroleum

Equity Research Sector Report

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With the Jordan Petroleum Refinery Corporation (JPRC) 50-year concession nearing its end, the Jordanian Downstream Petroleum Market has taken center stage as the Government of Jordan moves towards establishing solid foundations for a liberalized and competitive post-concession market. Under the close supervision of the government and the terms of the concession agreement, JPRC has so long been Jordan's sole Refiner, Importer, Marketer and Wholesaler of Petroleum Products. This is expected to change drastically come March 2008 as the concession agreement terminates and new entrants are allowed into the market.

The government has taken a number of necessary actions that would ensure a level and competitive market following the concession-end, actions that also have the best interest of the Kingdom's economy, its national security, the environment and the well being of its citizens in mind.

With the market currently being hugely underserved (at JPRC's current refining capacity) and growing at an average of 3% annually, JPRC has initiated its fourth expansion phase. This would entail attracting a technically and financially accomplished strategic investor with direct access to crude oil supplies, increasing refining capacity by 40%, establishing a new Aqaba-Zarqa crude oil pipeline and rehabilitating existing facilities to accommodate higher quality production.

The proposed expansion could threaten the government's market liberalization plans as it severely trims down the underserved portion of the market and increases JPRC's advantage over potential newcomers.



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