Date: 30/10/15 **ATLANTIC REPORT NO 35/15**

SUB: LIQUID/DRY COMMODITIES SCENARIO/PORT AND OTHER DEVELOPMENTS –INDIA

We give below our report on the subject for your kind info and record:

A) LIQUID COMMODITIES SCENARIO

1) BPCL, OMAN OIL LOOKING TO SELL 24% STAKE IN BINA REFINERY

Foreign companies are in talks to buy a stake of up to 24% in the Bina Refinery in Madhy Pradesh which is jointly owned by Bharat Petroleum (BPCL) and Oman's state oil firm. The two owners want to boost the refinery's capacity by about 30% from 120,000 bpd. The e xpansion of the refinery, which has started to make money after quarters of losses, could cost $ 460 million and would be completed by 2018.

B) DRY COMMODITIES SCENARIO

1) INDIAN PORT SCRAPS FIRST DEFERRED-PAYMENT DREDGING PLAN

A first attempt by an Indian port to undertake channel deepening work on annuity - deferred payment - basis has failed. The board of trustees of state-owned Mormugao Port rejected the only tender, which had been submitted by a consortium of Van Oord Dredging and Marine Contracting and local firm JSW Group. "The board of trustees decided on Wednesday to reject the only price bid submitted by the Van Oord-JSW consortium because the annuity amount quoted was 17.56% more than the budget," a Mormugao port representative told IHS Maritime, adding that the tender was consequently scrapped. "Instead, Mormugao port will float a fresh tender, only for deepening the channel to 19.8 m to handle Capesize ships on an engineering, procurement and construction (EPC) contract," the official said. In the EPC model, the contract amount is paid when the work is completed. Cash-strapped Mormugao has been badly hit by a court-imposed ban on production and export of iron ore, its main cargo, from Goa since October 2012.

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C) CONTAINER SERVICES

1) JAWAHARLAL NEHRU PORT SHIPPERS GAIN FROM INTER-TERMINAL TRUCKING

India's biggest container handler, Jawaharlal Nehru Port Trust, said the introduction of inter-terminal truck transfer procedures aimed at easing gate congestion have produced significant productivity gains for terminals, drayage companies and the trade in general. "Since the commencement of inter-terminal transfers, more than 100,000 trucks have exchanged between the terminals while carrying out 128,106 transactions at the gates, reducing congestion on the roads connecting port terminals," JNPT said in a trade advisory. The inter-terminal process allows truckers to drop off laden export containers at one terminal and pick up import units from the other neighboring facility, requiring only a single gate transaction. It was initially introduced between state-owned Jawaharlal Nehru Container Terminal and APM Terminals-operated Gateway Terminals India in early February.

2) MUMBAI PORT'S OFFSHORE CONTAINER TERMINAL DELAYED

Mumbai-29 Oct After years of saying it was nearing completion of a new, privately-operated offshore container terminal, authorities at the Mumbai Port Trust are now looking to redesign and rebid the troubled project. The concessionaire's financial lenders declared it a "non-performing asset" due to protracted delays and associated cost implications, forcing the port to re-evaluate the project. It has been proposed that the project can be put up for rebid for a changed cargo profile (multi-purpose clean cargo) with first right of refusal to the public-private-partnership operator.

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The project was awarded on a 30-year concession to a joint venture between domestic infrastructure developer Gammon and Dragados SPL of Spain and the first phase of the project was originally scheduled for completion at the end of 2010 with an estimated investment of Rs. 1,460 crore (approximately $225 million). Construction began in August 2009 and all civil works at the site have been completed. The delays and cost overruns largely resulted from federal security agencies' objections over the acquisition of cranes from Chinese manufacturer ZPMC and the landlord port's failure to complete the dredging in line with the concession contract. Following intervention by senior federal cabinet members the security clearance issue is reported to have been settled. The port trust is in the process of appointing a financial consultant for assessing the replacement cost of the concessionaire's assets for the limited purpose of rebidding. The offshore terminal was designed to handle roughly 800,000 twenty-foot-equivalent units in the first phase. As an interim measure to make use of the new infrastructure, the port trust recently allowed roll-on, roll-off ship operators to call at the offshore terminal. Mumbai Port is one of India's 12 major state-owned ports. In the past decade-and-a-half, Mumbai has seen a steady decline in its container volumes — from 321,000 TEUs in fiscal 2000-01 to 45,000 TEUs in 2014-15 that ended March 31 — as all leading mainline operators in trades to and from India shifted calls to nearby Jawaharlal Nehru Port Trust. The newest port statistics collected by JOC.com show Mumbai's container volume fell 12.5 percent year-over-year in the first fiscal half through September to 21,000 TEUs, but total traffic was up 4.3 percent over the same period in 2014.

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3) JNPT PULLS BACK DEEPENING AMBITIONS TO HANDLE LARGER SHIPS

India's busiest container gateway, has revised plans to dredge its access channel to a draught of up to 56 feet and will now settle for 49 feet, citing high costs and a lack of incremental benefits for the decision. It's not clear how much larger vessels the port would be able to handle if it deepened an extra seven feet.The port last year deepened its channel to 46 feet from 38 feet, allowing it to handle vessels with a capacity of up to 9,000 twenty-foot-equivalent units.The state-owned port, located near the country's financial capital, Mumbai, loads more than half of the containers passing through India's ports, but the port's previous dredging efforts did not grow volume as hoped. A feasibility report prepared by Tata Consulting Engineers recommended that the port authority should only deepen to 52 feet, estimating that the work would cost about $600 million.

D) PORT DEVELOPMENTS

1) PORT PPP DOCUMENT NEEDS REFINEMENT

India's 12 state-owned ports and private investors have for long felt the model concession agreement being used to construct cargo handling projects with private funds needs refinement to make it attractive for private investments. A concession agreement is a document that sets out the terms and conditions of a port contact. The issue has now gained urgency with the Narendra Modi government finding it difficult to get bidders for planned cargo handling contracts spread across ports located at Visakhapatnam, New Mangalore, Kandla, Kochi and Chennai. New projects awarded have reduced to a trickle. The need to fix the problems in the concession agreement has become more urgent, with the government embarking on the ambitious Sagarmala project that seeks to foster port-led development. It is generally acknowledged that the current concession agreement lacks the flexibility to respond to market dynamics.

E) OTHER DEVELOPMENTS

1) DRAFT OFFSHORE MARITIME POLICY OIL COS LIKELY TO FACE TIGHTER NORMS FOR CHARTERING FOREIGN OSVS

The new offshore maritime policy that the Ministry of Shipping is in the process of drafting may have the Indian ship owners and the domestic oil companies lock horns again. For, the ship owners, through the new policy, will be seeking to tighten the freedom of the oil companies to charter foreign offshore supply vessels (OSVs) and oil rigs.Informed sources say the shipping companies would be seeking to extend the offshore maritime policy from the territorial waters to the Indian Exclusive Economic Zone (EEZ) so as to cover the entire offshore installations of the oil companies. Once this is approved, the offshore installations would be bound by various aspects of the policy, including the cabbotage rule that would make it mandatory for oil companies to give the first right of refusal to Indian shipping companies for chartering of OSVs, MSVs (multi-support vessels) and rigs.The Indian National Shipowners Association has appointed Tata Economic Consultancy Services to assist in the preparation of the draft offshore maritime policy, as advised by the working group on the subject set up by the Ministry of Shipping. Expected to be ready by mid-January, the draft will then be submitted to the Shipping Ministry, which will subsequently seek the views of the Petroleum Ministry before sending it for final Cabinet approval.The sources said a move to extend the policy beyond the territorial waters (up to 12 nautical miles from the coast) to cover the Indian EEZ (up to 200 nautical miles) would not go down well with the oil companies. As it is, PSU oil companies have been seeking changes in the existing laws to enable them to make their own shipping arrangement for transportation of crude and petroleum products without having to go through Transchart, the chartering wing of the Ministry of Shipping. Oil companies in India at present have about 100 OSVs to service their offshore installations, with ONGC alone deploying 61 such vessels for its exploration activities.

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Out of the 61 deployed by ONGC, 31 OSVs belong to the company but managed by shipping companies, while the remaining are on charter basis. With India's offshore oil and gas exploration picking up momentum, a string of foreign-flagged OSVs are now in operation on a regular basis within the Indian EEZ. Out of the 100 OSVs in operation at present, about 40 belong to foreign operators such as Maersk Offshore, Tide Water and Stenmar Offshore. Industry sources said the foreign players were deploying older vessels in their fleet so as to compete with the Indian ship owners. "For example, an OSV deployed, let us say, in the North Sea would fetch its owner about $14,000 per day, while in India it will not be more than $5,500 per day. So, for a foreign OSV owner to compete here, he has to essentially deploy older vessels to remain in the market," an industry source pointed out.With the demand for offshore vessels set to increase in the domestic market, Indian ship owners will try to push through the offshore maritime policy. Shipping companies in the offshore business have been making significant investments, notably Great Eastern Shipping, which has eight new offshore supply vessels on order. Shipping Corporation of India, which has 10 OSVs on charter with different oil companies, is also in the process of estimating the future requirement as a prelude to its fleet renewal programme.

F) WEATHER/STRIKE - NIL

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G) INTERNATIONAL HIGHLIGHTS

1) ANTWERP PORT JOINS RACE TO SET UP IRAN TRADE LINKS

A delegation from the Port of Antwerp visited Iran last week, along with officials in the shipping and commerce sectors hoping to exploit relaxed sanctions. Led by port alderman and port authority chairman Marc Van Peel, the group of petrochemical and shipping experts met in Tehran with various ministries, petrochemical organisations, and private companies. The exploratory mission was aimed at making contact with official bodies, the Belgian port said.Up until 2010 Antwerp was the largest European port destination for Iranian cargoes," Van Peel said. "In the light of the recent nuclear agreement and the raising of economic sanctions, we wanted to let the Iranians know directly that Antwerp is still the ideal hub for reaching the European hinterland.

Thanks and Regards

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