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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) INDIA'S PETRONET LNG SAYS TALKS TO INVEST IN QATAR HAVE SLOWED

India's Petronet LNG Ltd said on Monday its talks to invest in Qatar's exploration and production sector had "slowed down," as the company had not been able to reach an agreement on pricing with the Middle Eastern nation. "Qatar is still at a very preliminary stage. We were actually looking at getting the molecule (gas) at the well head price. They want to sell it at market price," said Prabhat Singh, managing director of Petronet LNG. Petronet LNG, India's biggest liquefied natural gas (LNG) importer, wanted to partner with ONGC Videsh Ltd (OVL), the overseas arm of India's biggest explorer Oil and Natural Gas Corp Ltd, to pick up a stake in an upcoming exploration and LNG project in Qatar. The project would have been Petronet's maiden venture into the natural gas exploration and production business and overseas LNG terminals. Under the initial non-exclusive agreement signed with QatarGas, Petronet LNG was to get access to QatarGas's data rooms for evaluation of the project within a month's time. A non-exclusive agreement allows QatarGas to speak with other interested parties about the project in addition to Petronet. The upstream project was to feed into a 23 million tonnes per annum LNG terminal. "There is merit in the project and we are considering (it)," Singh said, adding that as Petronet would be investing in the project, it would have to make economic sense. Qatar is looking at a potentially bigger participation by Indian firms, and wants an entire consortium of companies to come together and invest in the Gulf nation, Singh said. Petronet currently runs a 15 million tonne per annum LNG regasification site at Dahej in the western state of Gujarat and a 5 million tonne refinery at Kochi in southern India. Petronet LNG buys 8.5 million tonnes a year of LNG from Qatar under a long-term contract. It also buys additional volumes from Qatar under spot deals. Several other Middle Eastern nations that are major oil and natural gas exporter to India, including Saudi Arabia, the United Arab Emirates and Iran, are looking closely at establishing long-term strategic partnerships in the southern Asian country.

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2) RELIANCE INDUSTRIES HALTS IRANIAN OIL IMPORTS

India's Reliance Industries Ltd, owner of the world's biggest refining complex, has halted imports of Iranian crude ahead of U.S. sanctions against Tehran's oil sector, its joint chief financial officer said. The United States plans to impose new sanctions on Iran's oil sector from Nov. 4 in a bid to curb Iranian involvement in conflicts in Syria and Iraq and bring Tehran to the negotiating table over its ballistic missile programme. V. Srikanth said Reliance has boosted purchases from other Middle Eastern suppliers and the United States to make up for the loss of Iranian barrels and reduced intake of Venezuelan oil. Venezuela's oil production is at a 60-year low after years of underinvestment. "We continue to get (Venezuelan oil) but I would say it is lower," Srikanth said. "Iranian supplies are zero. Therefore we have had to look at alternatives like... Middle Eastern crudes, and we are also taking some U.S. grades." Reliance, an Indian conglomerate controlled by billionaire Mukesh Ambani, has significant exposure to the U.S. financial system, where it operates some subsidiaries. The company's decision to stop buying Iranian oil from October-November came after an advisory from its insurers, a source familiar with the matter told Reuters in May. Reliance imported 2 million barrels of Iranian oil in September, ship tracking data obtained from sources showed. Its two advanced plants at Jamnagar in western Gujarat state can together process 1.4 million barrels per day (bpd) of oil and have the capability to turn cheaper, dirtier crudes into high-value refined products. Reliance on Wednesday reported a record quarterly profit in the July to September period. "Our integrated refining and petrochemicals business generated strong cash flows," chairman Mukesh Ambani said in a statement. However, its gross refining margin for the three months through September, or profit earned on each barrel of crude processed, fell to $9.50 per barrel, a 3-1/2 year low. Reliance said higher oil prices, a narrowing price spread between light and heavy crude and weaker light distillate cracks during the quarter had affected its refining and marketing business. Reliance had also declared force majeure on gasoline exports from its Jamnagar site in August due to a technical glitch at a fluid catalytic cracker. The company's exports of refined products during the September quarter totalled 10.1 million tonnes compared to 11.2 million tons a year earlier. Srikanth said the Indian government's recent order to state-owned fuel retailers to cut marketing margins by 1 rupee a liter will not affect his firm's plan to ramp up its network of retail fuel stations. The company has 1,325 fuel stations. The price of gasoil and gasoline sold through that network is on a par with that of state fuel retailers, Srikanth said.

B) DRY COMMODITIES SCENARIO

1) COAL CRISIS INTENSIFIES WITH RISING DEMAND, POOR EVACUATION AT PORTS

India is hit by an intense coal crisis this festival season with average coal stock at power plants dropping to six days in October, from nine days in September. While coal is in short supply for more than a year now, it is arguable if the situation was as bad in the recent past. The crisis is reflecting in the volatility in the spot market for electricity, with round-the-clock average tariff hovering between Rs. 7 a kilo Watt hour and nearly Rs. 8/kwh over the last couple of days at IEX. According to daily reports of the Central electricity Authority (CEA), 30 non-pithead power stations have critical stock of less than seven days, and 17 of them have less than four days' stock, as on October 11. Sources point out that the actual situation is worse, as CEA lists the critical stock position based on despatches from CIL against the annual contracted quantity (ACQ). The ACQ doesn't meet the entire demand, and different plants have different ACQs. CEA reports the actual status after a time lag.

C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) VIZAG PORT INITIATES STEPS FOR FASTER EVACUATION OF CARGO

Based on the recommendations of Boston Consulting Group and Union Ministry of Shipping, Visakhapatnam Port Trust (VPT) has initiated several measures for removal of the bottlenecks to ensure faster evacuation of cargo. The port has undertaken seven connectivity projects at a cost of 274 crore. The completed projects include the first phase electrification of East Yard at a cost of 20 crore, direct connection from Ore Exchange Complex to Western Sector costing 22 crore, four-lane Port Connectivity Road by spending 77 crore and new road at a cost of 24 crore. NHAI project: The projects in progress include upgrading of the R&D yard and construction of grade separator to decongest the traffic from H-7 to Convent Junction. The external road connectivity from Sheelanagar, Pendurti-Anandapuram Road at a cost of 549 crore will be undertaken by the National Highway Authority of India. The detailed project report is ready and the project is being implemented jointly by the NHAI and the port.

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2) KRISHNAPATNAM PORT TARGETS HANDLING 30% MORE CARGO IN FY19

The Krishnapatnam port in Andhra Pradesh hopes to end the financial year handling nearly 60 million tonnes (MT) of cargo, which will be nearly 33 per cent more than the previous year's 45 MT. According to the port's CEO and Director, Anil Yendluri, for the first six months of the current financial year, the facility, which competes with Chennai, Kamarajar and Katuppalli ports in Tamil Nadu, for cargo saw a 25 per cent increase in traffic over the same period last year. There was growth across all major cargoes, including coal, edible oil and containers, he told. Yendluri said that the port has chalked out expansion plans for the next 18 months that include construction of a liquid cargo terminal at nearly 500 crore, and three more berths for general cargo and containers. "The port could be the preferred gateway for liquid cargo. The dedicated berth with no draft restriction will be able to handle Panamax-size vessels. Out of the total 6,800 acres of port area, 873 acres has been earmarked for liquid business.

3) MUMBAI PORT TRUST TO USE ROCK EXCAVATED FORM METRO PROJECT TO BUILD CARGO BERTH

Mumbai Port Trust will use rock excavated from the Mumbai Metro Rail Project for reclaiming land on which a new oil cargo-handling berth will be constructed at Jawahar Dweep, in a case that demonstrates sustainable infrastructure development. The Ministry of Environment, Forest and Climate Change had earlier granted permission to Central government-owned Mumbai Port Trust to use rock dredged from the channel-deepening project at nearby Jawaharlal Nehru Port Trust (JNPT) for reclamation purposes. But, since adequate rock quantity was not available, Mumbai Port had sought a change in sourcing the material for building its fifth oil berth. "Instead of the dredged rock material proposed earlier for reclamation, the project proponent can utilise the excavated material generated from Mumbai Metro Rail project", the Expert Appraisal Committee, the agency that vets such proposals, decided at a meeting held from 24 to 26 September.

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E) OTHER DEVELOPMENTS

1) CARGO SHIP RAMS INTO MUMBAI JETTY

The Jawaharlal Nehru Port Trust on Monday launched a probe to know how a cargo ship rammed into a jetty on Saturday afternoon, an official said. The incident occurred at the port's Fourth Container Terminal-BMCTPL, which is managed by the Port of Singapore Authority. The vessel's protection and indemnity insurers have analysed the extent of damage to both the ship and the jetty. The 336-metre long vessel, owned by CMA-CGM, Mumbai, and carrying a dead weight of 119,324 tonnes, arrived here from Karachi and was expected to sail to its next port of call at Mundra Port, Gujarat. While attempting to berth in Mumbai, the ship rammed into the jetty at the 252 chainage mark, causing damage to both the jetty and vessel's bow. However, there was no casualties to any person or crew and no operations were affected, said an official spokesperson today.

2) SEASON’S FIRST CRUISE LINER ARRIVES IN KOCHI

MV Boudicca , the Bahamas-based luxury cruise liner, berthed at the Kochi port on Sunday morning, signalling the beginning of cruise season in Kerala. The luxury liner was built in 1973 and belongs to Fred Olsen Cruise Lines, a UK-based Norwegian-owned cruise shipping line. The ship, with 506 tourists and 389 crew members on board, reached the Kochi port around 6.30 a.m., said a press release. The cruise ship, which began its journey from Abu Dhabi on October 4, docked at the Mumbai port prior to its arrival in Goa where it berthed for a night. From Goa, it sailed to the Kochi port. Officials of the Tourism Department were present at the cruise berth terminal to give a warm ceremonial welcome to the ship. “The arrival of the first cruise ship marks the beginning of cruise season in Kerala. It will provide a boost to the State’s efforts to attract more foreign and domestic tourists after the recent floods. It also sends out a message to tourists from far and wide that Kerala’s waters are absolutely safe,” said Rani George, Secretary, Department of Tourism.

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G) INTERNATIONAL HIGHLIGHTS

1) SHIPOWNERS SCRAMBLE TO INSTALL SULPHUR FILTERS AHEAD OF RULE CHANGE

Ship owners accelerated installations of engine cleaning systems this year ahead of stringent new rules in 2020 which sharply reduce the amount of sulphur ships can emit from the 3.5 percent in current bunker fuel to 0.5 percent, according to a report. Vessel operators can either switch to cleaner, but more expensive, marine gasoil or install scrubbers to filter sulphur from dirtier fuel oil. The looming change in International Maritime Organization (IMO) rules has impacted fuel and gasoil futures. The future prices of high sulphur fuel oil (HSFO) dropped sharply over the past year ahead of the anticipated drop in demand from 2020 while gasoil prices are expected to rise. Lower HSFO prices however have made scrubbers more economically attractive to shippers.
Scrubber equipment alone can cost between 1 million euros and 5 million euros ($1.16 million-$5.79 million), according to market-leader Wartsila. If demand for HSFO drops less than expected prices could rebound.“The more positive outlook for scrubbers could reinforce the trend seen over recent months of a narrowing discount of fuel oil relative to gasoil,” Vienna-based consultancy JBC Energy said in a note. “Expectations that HSFO demand could remain more robust than perhaps previously expected now helping to prop up HSFO prices along the forward curve.”With the spread between HSFO and 0.5 percent gasoil currently at around $28 a barrel, scrubber installation still makes economic sense, JBC said.A total of 1,850 vessels have now installed the smokestacks cleaning systems, known as scrubbers, Norwegian consultancy DNV GL said in a report, dated on October 10. Some 716 scrubbers were installed or confirmed this year, nearly double the 368 reported in 2017, according to DNV GL. The number is forecast to soar to 1,735 in 2019 and remain at similar rates into 2020, according to the report. While there are numerous scrubber manufacturers, over 50 percent of the market is controlled by three companies, with Finland’s Wartsila dominant with a 26 percent market share. By 2020, around 4,000 ships would be fitted with scrubbers. There are over 94,000 vessels in the world according to UN-body UNCTAD, ranging from cruise ships to container carriers and oil tankers and other smaller vessels. On October 15, Scorpio, one of the leading oil tanker owners in the world said it has agreed letters of intent to fit around 75 of its tankers with scrubbers between the second quarter 2019 and the second quarter 2020. This follows a previous order for 15 scrubbers from the company which owns or leases a total of 109 tankers.

Thanks and Regards

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