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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) US AGREES TO GRANT INDIA WAIVER FROM IRAN SANCTIONS

The US has broadly agreed to grant India a waiver from Iran sanctions, which would allow Indian oil companies to continue to import about 1.25 million tonnes of oil a month till March from Tehran, sources familiar with the matter said, adding that an official announcement could come over the next few days. The US plans to re-impose oil-related sanctions on Iran on November 4 to choke the Islamic Republic's biggest source of income and pressure it to renegotiate a new nuclear deal. Any country, or company, trading with Iran without US consent after sanctions kick off risks getting cut off from the American financial system. The US has insisted all along that it wanted everyone to reduce oil imports from Iran to zero eventually, but was open to country-specific waivers that would allow limited imports by those pledging 'significant' cut. India and other key importing countries have been engaged for months with the US for a waiver. "India and the US have broadly agreed on a waiver. India will cut import by a third, which is a significant cut," a source said. India had imported about 22 million tonnes of crude oil from Iran in 2017-18 and planned to raise that to about 30 million tonnes in 2018-19. But, as a condition of waiver, Indian oil firms will reduce their imports significantly, the source said. Indian companies can import 1.25 million tonnes a month up to March 2019, the same as they ordered for October and November, the source said. State oil firms are yet to decide on how this quantum will be split between them. A waiver will come as a big relief to Indian Oil and MRPL, the two largest Iranian oil consumers. How companies will pay for Iranian oil is still being negotiated between India and Iran, sources said, adding that it's likely that the two countries will stick to the existing mechanism under which 55% of payment is made in euro and 45% in rupee through UCO Bank. Under this, rupee is used for import of rice, drugs, and other products from India while the balance proceeds in rupee and euro sit idle in the Indian bank waiting for sanctions to go. The Indian side, while building its case for a waiver, assured the US that this payment mechanism ensures Iran can't use oil money from India for any terror-related activity, a key American concern. During the negotiations, India also told the US that it would like to import more American oil if it came on competitive terms, sources said. India and Iran still have to figure out shipping and insurance details for a smooth trade. Currently, Iran provides its tankers as well as insurance for oil cargoes to India. The US sanctions have driven away Indian and international shippers and insurers from extending their services for Iranian oil imports.

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2) BPCL KOCHI LAUNCHES SPECIALITY PRODUCT OF FOOD GRADE QUALITY HEXANE

Aimed at promoting agro processing, BPCL Kochi Refinery has launched the speciality product of Food Grade Quality Hexane (FGQ Hexane) that could turn out to be a boon to agricultural sector. This is the first time that Kochi Refinery is producing a 'Food Grade Quality' product, mainly used in the solvent extraction units for spices and vegetable oil. FGQ Hexane is a light distillate produced from special cut Naphtha where the Hexane rich stream is extracted and purified to meet the required specification. It is also used by drug and pharmaceutical industry as solvent in speciality applications. Much of FGQ Hexane is imported. D Rajkumar, CMD, BPCL, flagged off the truck carrying FG Hexane to the first customer AVT. FGQ Hexane is being produced in the Isomerization unit of Kochi Refinery which came up as part of the Integrated Refinery Expansion Project. The company has the capacity to produce 5000 tons per year and FGQ Hexane is 21st in line in the product portfolio. Kochi Refinery had always tried to promote industries based on farming sector. In the late 1990s, it had developed the Natural Rubber Modified Bitumen through its R&D Centre and had provided an alternative scope for rubber which is increasingly cultivated in South India. Thereafter, NRMB has been a prime product of KR which helped in laying better roads. The launching of FG Hexane is a similar kind of effort, said Prasad K Panicker, ED (Kochi Refinery).

B) DRY COMMODITIES SCENARIO

1) JSPL TO EXPAND ODISHA STEEL PLANT TO 20 MTPA BY 2030

Jindal Steel and Power Ltd (JSPL) chairman Naveen Jindal on Friday said the steel production capacity of its plant in Odisha's Angul would be increased to 20 million tonnes per annum (mtpa) by 2030. "Once we achieve the full capacity of 6 mtpa, which we will do next year, then from 2021 we will embark on a new journey where we want to take the capacity from 6 mtpa to 20 mtpa by 2030," said the JSPL chairman. Jindal said JSPL will infuse an additional investment of about Rs 50,000 crore for the expansion of the plant to meet the 20 mtpa production of finished steel. Naveen met chief secretary Aditya Prasad Padhi and steel and mines secretary Raj Kumar Sharma at the State Secretariat here on Friday. He said the company won't go for any loan for the expansion, rather it would rope in strategic partners and raise equity. He also said the company is working on logistics and raw material challenges. "Logistic and raw materials are challenges for us. We are working through all the challenges. We are hopeful that these challenges will be resolved in the coming months," he added. The JSPL chairman said India has ample availability of non-cooking coal. So, Coal India and its subsidiaries should enhance their production capacity to ensure availability of coal to the industries. "We are buying the most expensive coal which erodes our competitiveness. Similarly, the iron price has more than doubled in India. There is no reason why the iron ore prices should be so high. We feel that the government should take steps so that the closed mines are reopened," said Jindal.

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C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) KOLLAM PORT TO BECOME HUB OF CARGO OPERATIONS

The Kollam port will soon become a hub for cargo operations with shipping services starting from Colombo and Laksha-dweep. The government would consider appointing a special officer to accelerate the emigration processes in view of the prospective Kollam – Colombo cargo services. This was stated by Minister for Ports Kadan-nappally Ramachandran after meeting a delegation from Colombo at the Ashramam guest house here on Friday. The delegation discussed various aspects of operating cargo services from Kollam port and told the minister that the services could be started if delay in emigration clearance was avoided. The minister agreed to take steps to elevate the port to a cargo terminal by speeding up the emigration processes. The delegation also said the available facilities at the port were satisfactory to start the service. The government is also planning to start cargo services from Lakshad-weep.

2) STARLOG-LOUIS DREYFUS JV TERMINAL ALLOWED TO HANDLE 10 MORE CARGO ITEMS AT VIZAG PORT TRUST

A bulk cargo handling terminal at Visakhapatnam Port Trust (VPT) run by an Indo-French joint venture has been allowed to handle 10 more cargo items than the four it was originally built to serve, triggering demands for similar treatment from others. The Tariff Authority for Major Ports or TAMP has notified the rates for handling the 10 extra cargo items at the West Quay Multiport Private Limited run by Mumbai-listed Starlog Enterprises Ltd and French shipping firm Louis Dreyfus Armateurs S.A. at the WQ-6 berth of VPT. The terminal operator’s request to set rates for handling the extra cargo was cleared by TAMP on an application filed by VPT. Provision in concession agreement: VPT said its decision conforms to the concession agreement and was aimed at “improving the capacity utilisation of the WQ-6 terminal in the interest of business and to avoid the investment made for the development of the facility infructuous and the amount lent by banks becoming non-performing asset (NPA)”.

3) KARAIKAL PORT GETS MECHANISED BULK CARGO HANDLING SYSTEM

Chief Minister V. Narayanasamy on Tuesday inaugurated the mechanised bulk cargo handling system at the Karaikal port. The mechanised cargo handling system built at a cost of Rs 600 crore would make the port operations environment-friendly and improve efficiency. It included two stacker-Reclaimers and a belt conveyor system running to a length of 5.7 km. The system would enable the port management to discharge 40,000 tonnes of cargo per day. The quick handling of the cargo would reduce the stay of gearless ships to two-and-a-half days at the port, a release said. “As the cargo is inter carted in closed conveyor systems, environment protection is enhanced to a large extent, thus making the Karaikal Port a nature-friendly and technology-enabled port in South India,” said Chairman and Promoter Director of Karaikal Port GRK Reddy. By way of mechanisation, the port would be able to handle bulk shipments. It would ensure faster turnaround of ships and increase despatch rate of cargo, he said.

E) OTHER DEVELOPMENTS

1) LOW SULPHUR FUEL OIL: WITH NEW RULE 14 MONTHS AWAY, SHIP OWNERS ALL AT SEA

Indian ship owners, like their global peers, are all at sea over a new global rule on using low sulphur fuel oil on board ships, which will come into force in 14 months to check sulphur emissions. Beginning January 1, 2020, ships must use fuel oil on board with a sulphur content of not more than 0.5 per cent m/m (mass/mass), sharply lower than the current global sulphur cap of 3.5 per cent m/m, according to rules framed by the International Maritime Organization (IMO). Ships can meet the requirement by using low-sulphur compliant fuel oil or continue to use high sulphur fuel oil by fitting exhaust gas cleaning systems or scrubbers. “We are watching everyone and preparing in the background,” says Anoop Kumar Sharma, Chairman and Managing Director at Shipping Corporation of India Ltd.

2) SHAPOORJI PALLONJI, ROYAL VOPAK TO SET UP LPG TERMINAL IN GUJARAT

The Shapoorji Pallonji Group has tied up with Dutch firm Royal Vopak to build a Rs 1,400 crore import terminal and storage facility for liquified petroleum gas (LPG) and oil products near Junagadh, in Gujarat, said two executives aware of the development. SP Ports Pvt Ltd, a part of Shapoorji Pallonji Group, and Vopak India BV, a subsidiary of Royal Vopak, plan to jointly execute the project at Chhara-Sarkhadi near Junagadh through their joint venture West Coast Liquid Terminal Pvt. Ltd (WCLTPL), the people mentioned above said on condition of anonymity. The terminal and storage facility will be housed at a port in Chhara-Sarkhadi being built by Simar Port Pvt. Ltd, a Shapoorji Pallonji Group company. “The terminal is being planned considering the increasing demand for LPG in India. The initial capacity of the terminal could be up to 5 million tonnes per annum (mtpa) with an expandable capacity of 10 mtpa,” said one of the executives cited above.

F) WEATHER/STRIKE - NIL

G) INTERNATIONAL HIGHLIGHTS

1) TEEKAY OFFSHORE SECURES 7-YEAR CHARTER FOR FPSO UNIT

Teekay Offshore Partners has signed a conditional seven-year charter contract for the floating production, storage and offloading (FPSO) unit, Petrojarl Varg. Under the deal, agreed with Alpha Petroleum Resources Limited (Alpha) in October 2018, the FPSO would be deployed in the Cheviot oil field in the UK sector of the North Sea. The contract is for a seven-year fixed term from first oil, which is targeted for the second quarter of 2021, after completion of a life extension and upgrade phase for the Petrojarl Varg FPSO taking place at Sembcorp Marine's shipyard in Singapore. Teekay Offshore Partners said that the life extension and upgrade costs for the Petrojarl Varg FPSO would be funded predominantly by Alpha in advance. The Petrojarl Varg FPSO is intended to be used for the entire expected life of the Cheviot field. The company revealed the contract in its financial report for the quarter ended September 30, 2018. For the three-month period, Teekay Offshore Partners managed to narrow its net loss to USD 38.6 million, compared to a net loss of USD 317.5 million seen in the same period in 2017. The change was attributed to vessel write-downs during the third quarter of 2017, partially offset by losses on repurchases of bonds maturing in 2019 and a promissory note maturing in 2022 incurred in the third quarter of 2018. The company's revenues climbed to USD 327.7 million for the third quarter of 2018 from USD 273.6 million reported in the corresponding period of 2017. "For the third quarter of 2018, our total cash flow from vessel operations increased significantly from the same quarter of the prior year primarily driven by stronger earnings from our shuttle tanker fleet, a full quarter contribution from the contract start-up of the Petrojarl I FPSO and our third East Coast Canada shuttle tanker newbuilding and lower operating costs in our shuttle and FPSO fleets," Ingvild Sæther, President and CEO of Teekay Offshore Group, said.

Thanks and Regards

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