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ATLANTIC REPORT NO 06/20

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) RELIANCE INDUSTRIES SAYS WILL COMPLY WITH US POLICIES ON VENEZUELA

Reliance Industries has said it will always comply with US sanctions policies affecting Venezuela. This follows reports that said the Trump administration was ‘concerned’ by Reliance and some other energy companies’ ties with Venezuela. All of Reliance’s purchases of Venezuela crude oil are reported to and approved by the US government. We are in frequent communication with the US government officials regarding Venezuela and continuously keep them apprised of our actions,” Reliance Industries said in an email. Reliance is not sharing any oil field in Venezuela nor does it operate as intermediary for sale to third parties. All Venezuelan crude oil sourced by Reliance is for processing in Reliance’s refineries only, " Reliance further said. A Reuters report earlier quoted a senior US official as saying the Trump administration was ramping pressure on the Venezuelan President Nicolas Maduro’s regime and would look at all options to pressure energy companies whose activities are supportive of the Venezuelan government. Washington had imposed sanctions against Venezuelan state oil firm PDVSA last year and later also announced sanctions against all firms buying Venezuelan oil. Everything is an option as regards creating pressure, whether it’s towards Russian entities that are supporting Maduro or others. So, absolutely, that ... remains on the table,” the US official said on possible sanctions against Rosneft, which has lately become a key receiver of Venezuelan oil, as per the agency report. Whether it’s Rosneft, whether it’s Reliance, whether it’s Repsol, whether it’s Chevron here in the United States, I would tread cautiously towards their activities in Venezuela that are in support, directly or indirectly, of the Maduro dictatorship because ... we’re halfway through our maximum pressure campaign,” he added. Rosneft, Reliance, Repsol and Chevron have emerged as the main business partners for PDVSA since the United States imposed sanctions on PDVSA last year.

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2) IOC SIGNS PACT TO BUY RUSSIAN CRUDE OIL

Indian Oil Corp has signed a deal with Russia's Rosneft for the annual purchase of 2 million metric tonnes of crude oil, the Oil Ministry said in a statement. This is the first ever annual oil purchase deal between the two countries. This is yet another important milestone in our efforts to diversify sourcing of crude oil and in enhancing India's energy security," said Oil Minister Dharmendra Pradhan after witnessing the contract signing. The two sides agreed to take forward mutually aligned priorities discussed during Minister Pradhan's visit to Russia in September last year, including exploring a roadmap for Indian investments in the Vostok (Eastern Cluster) project of Russia," the statement said. They also explored opportunities for involvement of Indian companies in infrastructure development projects in the Siberian and Arctic regions, it added.

B) DRY COMMODITIES SCENARIO

1) INDIA'S COAL IMPORT RISES 8% TO 186 MT IN APR-DECEMBER

India's coal import increased by 7.6 per cent to 185.88 million tonnes (MT) in the April-December period of the current fiscal. Coal imports in December rose by 13.3 per cent to 20.52 MT compared to 18.10 MT in the year-ago month, according to provisional data by mjunction services. Non-coking coal imports were at 14.21 MT in December 2019 against 12.5 MT in December 2018. Coking coal imports were at 4.47 MT against 3.76 MT imported in December 2018. "There was slight uptick in import activities during the month, thanks to the recovery in steel prices and steady demand from sectors like cement and sponge iron," mjunction MD and CEO Vinaya Varma said. Going forward, import demand may subside a little due to current volatility in non-coking coal prices and increased supply of coal from domestic sources, he said. mjunction — a joint venture between Tata Steel and SAIL — is a B2B e-commerce company and also publishes research reports on coal and steel verticals. During the April-December period, coal and coke imports were at 185.88 MT, up by 7.66 per cent compared to 172.65 MT in the same period last year. India imported 235.2 million tonnes of coal in 2018-19 valued at Rs 1.7 lakh crore.

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C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) CORPORATISATION OF MAJOR PORT TRUSTS MAY CULL NEW PORT LAW

The Central government will pursue corporatisation of State-owned major ports directly either by invoking a clause in the Major Port Trusts Act or by amending the law itself which could make a Shipping Ministry plan to facilitate the long-pending structural reform of these ports through a new law redundant. “This government would consider corporatising at least one major port and subsequently its listing on the stock exchanges,” Finance Minister Nirmala Sitharaman said in her Budget speech to Parliament on Saturday. Unless the ports are converted into companies, the government cannot list them on the stock exchanges and potentially disinvest or privatise them. The announcement “shocked” the influential port workers unions whose strident opposition to the corporatisation plan had forced the Shipping Ministry to opt for the conversion of the 11 port trusts into port authorities through a new law.

2) JNPT COMMENCES COASTAL MOVEMENT OF NAPHTHA TO DAHEJ

Jawaharlal Nehru Port Trust (JNPT), India’s premier container port announced the commencement of Coastal movement of ‘Naphtha’, produced by ONGC. JNPT regularly handles various petroleum products including LPG, High speed Diesel, Motor Spirit, Naphtha, Crude oil through BPCL Liquid cargo jetty. ONGC is one of the major customers of JNPT and have made significant contribution to liquid cargo handling at JNPT .They are using JNPT for movement of their Crude Oil produced in Bombay High (MR Crude) to coastal refineries and export of their Naphtha produced at ONGC Uran plant to their overseas buyers. Now M/s ONGC have made agreement with ONGC Petro additions Ltd. (OPAL), a joint venture company promoted by ONGC and co-promoted by GAIL and GSPC , located in Dahej SEZ, Gujarat, to supply the Naphtha produced at ONGC Uran plant to OPAL through marine route.

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E) OTHER DEVELOPMENTS

1) INDIA EXEMPTS VERY LOW SULPHUR FUEL OIL FROM IMPORT TAX

India has abolished import tax on very low sulphur fuel oil (VLSFO) used by ships, according to federal budget documents for 2020/21, to reduce costs for local shipping companies. International Maritime Organization (IMO) rules that took effect on Jan. 1 require ships to use fuels with sulphur content of no more than 0.5%, down from 3.5%, unless they are equipped with exhaust-cleaning systems known as scrubbers. Some local refiners including Indian Oil Corp and Hindustan Petroleum Corp have started making VLSFO to meet demand. The fuel, however, is not available at all Indian ports, necessitating imports. Rahul Bhargava, executive director at Essar Shipping, said the tax cut would help cope with demand. "There is a shortage of fuel for coastal movement of vessels," he said. A trade source said foreign vessels normally do their fuel bunkering at Fujirah and Singapore.

2) SURVEY EXPRESSES WORRY OVER AGING SHIPPING FLEET, LOW SHARE IN GLOBAL TONNAGE

The Economic Survey has expressed concerns over aging Indian shipping fleet and a meagre 0.9 per cent share of the country in total global dead weight tonnage. About 42 per cent of India's 1,419 fleet is 21 years and above, the Economic Survey for 2019-20, tabled in Parliament by Union Finance and Corporate Affairs Minister Nirmala Sitharaman on Friday, said. "Despite one of the largest merchant shipping fleet among developing countries, India's share in total world dead weight tonnage (DWT) is only 0.9 per cent as on January 1, 2019 … The existing Indian fleet is also aging, with the average age increasing from 15 years in 1999 to 19.71 years as on October 1, 2019 (42.06 per cent of the fleet is 21 years and above and 12.49 per cent is in the 16 to 20 year age group)," the Economic Survey said.

F) WEATHER/STRIKE- NIL

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G) INTERNATIONAL HIGHLIGHTS

1) MOL IN RESTRUCTURING MODE

Japanese shipping major Mitsui O.S.K. Lines (MOL) has unveiled a number of new restructuring measures effective April 1, 2020. As informed, the company intends to establish three new divisions and integrate its two tanker divisions to achieve synergy.Firstly, within its energy transport business unit, MOL will create offshore gas project division focusing on FSRU projects and LNG bunker vessel projects as the company is investing heavily to boost its offshore business. In addition, the Japanese shipping company plans to form ferry and associated business division as an organization for reinforcing group business management with abolishing the new & clean energy business division. The third division would be the steaming coal & renewable energy project in which functions of the offshore wind power project will be integrated into the steaming coal & energy project division. In this way, MOL said it strengthens its commitment to environmental and emission free businesses. What is more, the company will create new roles including a chief environment and sustainability officer and a chief digital officer. The announcement coincided with the company’s financial results for the third quarter of the fiscal year ending March 31, 2020, showing that MOL delivered a net income of JPY 22.8 billion (USD 209.6 million), an increase compared to JPY 14.3 billion seen in Q3 FY2018. The company also saw a significant increase in ordinary profit in a year-on-year comparison, which rose to JPY 21.1 billion in Q3 FY2019 from JPY 14.4 billion in Q3 FY2018. Specifically, the energy transport business recorded a higher profit, thanks to a favorable tanker market and an increase in profit from long-term contracts for LNG carriers. Furthermore, the containership business, ONE, which marks the second year since its integration, showed a significant improvement. On the other hand, MOL’s revenue decreased to JPY 292.9 in Q3 FY2019 from JPY 322.3 reported in the same quarter a year earlier. As explained, revenue dropped due to the negation of MOL’s non-consolidated revenue for the containership business which was included in the results for the same period of the previous year. The full-year fiscal year 2019 forecast remains unchanged, with ordinary profit expected to be JPY 50 billion and net income JPY 40 billion.

Thanks and Regards

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