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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) IOC BULLISH ON PRODUCING FUEL FROM CO2 IN 3 YEARS

India's biggest oil refiner, Indian Oil Corporation, is "extremely confident" that it will be able to produce transportation fuels and highly valuable Omega-3 fatty acids from carbon dioxide, the company's Director (R&D), Dr SSV Ramakumarthe. IOC currently runs a tiny, one kg pilot plant, the first of its kind in the world. Based on the encouraging results, the public sector refiner will build a commercial scale plant, he said. Ramakumar was here in connection with the '12th International Symposium on Advances in Electrochemical Science and Technology", organised by the Central Electrochemical Research Institute (CECRI), one of the research institutes under the Council of Scientific and Industrial Research (CSIR). The process of refining crude oil results in the production of large quantities of CO2, an undesirable greenhouse gas. So, IOC's problem was — if you can't help but produce the gas, is there any way of utilising it? CO2-to-fuel is a subject that scientists have been dabbling with for decades, and IOC chose the 'bio-route' for this purpose. It developed a strain of algae that can produce lipids and Omega-3 fatty acids, if fed well. 'Algae' refers to a whole kingdom of rootless, aquatic plant-life, which vary in size from microscopic to a metre-long. Like all plants, they need carbon to grow, but can't take their supply of carbon from the CO2 in the air."We were looking for a cheap source of carbon," Ramakumar said, observing that the an easily available feed, glucose, was far too expensive. Then, while poring through scientific literature, IOC scientists stumbled upon an American start-up called LanzaTech. LanzaTech developed a process to produce (chemicals called) acetates from CO2. Now, the acetates are something on which IOC's algae can feed. In July 2017, IOC signed up with LanzaTech for a five per cent stake and a board seat. Beneath the corporate deal was the "hyphenation" of two chemical processes: CO2 to the acetates of LanzaTech, and acetates to the lipids and Omega-3 fatty acids of IOC. Ramakumar observed that they were conflicting processes: the former needs complete absence of oxygen, or else, the microbes would die; and the latter requires abundance of oxygen. And that is how IOC will – eventually – use a million tonnes of the CO2 it produces from its refineries. A press release issued by LanzaTech in 2017 says that IOC will invest ₹350 crore in a demonstration facility at its Panipat refinery. It is the Omega-2 fatty acids that make the venture economically viable. A kilogram of CO2, which costs about ₹50, yields 400 gm of Omega-3 fatty acids, worth $800 (₹56,000). One could also get 300 gr of lipids, which can be processed into bio-ethanol.

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2) H-ENERGY TO KICK-START LNG PROJECT IN JUNE

Hiranandani Group-promoted H-Energy is executing a ₹3,700-crore (37 billion) project to import and distribute LNG in West Bengal, and export the same to Bangladesh. Work should start from June/July. The first phase of the project includes setting up of a re-gasification terminal at Kukrahati in the Purba Medinipur district of West Bengal, at an estimated cost of 15 billion over a 47-acre plot. The other part entails setting up of a pipeline from Haldia to the India-Bangladesh border, and a smaller city gate station on the outskirts of Kolkata for supply of city gas. According to Darshan Hiranandani, MD and CEO, H-Energy, the construction work, expected to begin June-July this year, should be completed over the next 18 months. We have decided on a model that will have transloading at Paradip, and from there the gas will be brought via smaller vessels to the re-gasification terminal at Kukrahati for faster execution," he told reporters on the sidelines of a FICCI-organised seminar here. Re-gasification is a process that converts liquefied natural gas at −162°C temperature back to natural gas at atmospheric temperature. LNG gasification plants can be located on land as well as on floating barges. "We have also got court clearance to go ahead with the gas supply line to Bangladesh. Construction work will begin shortly." The terminal will have an initial capacity of three million tones per annum, and can be ramped up depending on demand to 5 million tonne per annum. The company intends to execute the LNG project in phases. H-Energy currently has a two million tonnes per annum long-term supply contract with Bangladesh. Supply to Bangladesh too will start at 0.5 million tonne per annum, and later scaled up. The remaining will be used for city gas projects in West Bengal. According to Hiranandani, H-Energy will be importing its LNG from Malaysia with transloading facilities being offered at Paradip in Odisha. H-Energy, he said, is expected to start full commercial operations at Jaigarh (in Maharashtra) later this year. The 60-km pipeline — built at a cost of ₹400 crore and expected to be operational May onwards — connects the four-million tonne per annum (mtpa) terminal at the port of Jaigarh to the national gas grid at Dabhol. The terminal is a floating storage and re-gasification unit (FSRU) and is built at a cost of ₹1,665 crore.

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B) DRY COMMODITIES SCENARIO

1) COAL INDIA LIKELY TO AUCTION 30 MILLION TONNES OF COAL IN JANUARY-MARCH QUARTER

Coal India (CIL) is expected to put another 25-30 million tonnes (mt) of coal under the hammer in the ongoing quarter. This comes after e-auction volumes dipped following the decision to pump more coal into the coal-starved power sector through fuel-supply agreements (FSAs). The coal behemoth has been able to book 54 mt of coal through e-auction till December (first three quarters) as against 79 mt in the similar period of the last fiscal year, registering a 31.65 per cent dip. On the other hand, its offtake via the FSA route to power plants increased by over 12 per cent. “We have signed new FSAs of 32 mt recently. As more coal gets routed via the FSA route, e-auction volume will be low,” a senior company official said. However, this executive told Business Standard production in January-March was expected to be substantial, which will leave Coal India with more to offer in auctions. “It is expected that another 25-30 mt of coal will be offered this quarter on the auction platform,” the official said. Coal consumers in the non-power sector have long been complaining about scarcity because most of this fossil fuel is being routed to feed coal-starved thermal power plants. Coal India’s production, as well as offtake, was hit in December owing to industrial unrest in its key production zones in Jharkhand and Odisha and cyclones, which disrupted production and supply lines. Besides, the availability of rakes from the Railways also constrained the company from supplying coal. South Eastern Coalfields (SECL), its most important subsidiary, registered a 13.1 per cent fall in production in December at 12.52 mt while Mahanadi Coalfields, the second-largest subsidiary, registered a 3.2 per cent dip at 13.05 mt. These two subsidiaries account for more than 45 per cent of Coal India’s production. Sales were low at 52.77 mt, which is a 1.2 per cent fall compared to December 2017-18. However, in the next fiscal year, the e-auction volumes are expected to dip further. “Given the limited buffer for e-auction due to strong demand in fuel-supply agreements and low production growth, we expect e-auction volumes to fall to a four-year low at 60-65 mt in 2019-20,” a report from broking firm Prabhudas Lilladher stated. According to a coal consumer, coal demand in China was affected in the recent past because it focused on LPG — an alternative to coal. Restrictions on coal import were imposed, leading to prices declining globally. “Indian buyers, on the other hand, took a wait-and-watch approach, awaiting clarity on price movements arising out of the Chinese government’s move,” said Deepak Kannan, managing editor, Asia Pacific of Thermal Coal

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C) CONTAINER SERVICES

1) KICTPL CREATE HISTORY IN THE NEW YEAR BY BERTHING THE LONGEST EVER VESSEL

History was created at Kandla Port on 7th January 2019 with the berthing of M.V. Zardis at KICTPL with a LOA of 304.07 metres, making this the longest vessel to ever berth at the port. The vessel was expertly manoeuvred to the berth by the Deputy Conservator, D.P.T. Capt. T. Srinivas ably assisted by Harbor Master (I/C) Capt. S. K. Pathak & Capt. Tyagi. M.V. Zardis V. SCP1179W under IIX service of IRISL group made its maiden voyage to Kandla International Container Terminal Pvt Ltd (KICTPL). The said vessel having a LOA of 304.07 metres came alongside at 1430 hrs on 07th Jan 2019. In this voyage, she would be loading 1041 TEUs of export containers to Bandar Abbas. The association of IRISL and KICTPL dates back to April 2017, when the first IRISL vessel M.V. Arezoo V. 1029E berthed on 15th April 2017.

D) PORT DEVELOPMENTS

1) JNPT, ADANI PORTS, VERITAS SHORTLISTED TO RUN DIGHI PORT

Three companies have been shortlisted to run the Dighi Port, which has run into debts. A meeting was held on Wednesday evening at the Maharashtra Maritime Board (MMB) office to discuss the first three companies that have bid for the port. Amongst them are Jawaharlal Nehru Port Trust (JNPT), Adani Ports and Special Economic Zone (APSEZ) and the consortium of Veritas group. Sources in MMB said that JNPT has bid for around Rs 600 crore and tops the list. While Adani and Veritas are the second and third highest bidders, respectively. Deputy Chairperson of JNPT Neeraj Bansal said, "Yes, we have bid. The resolution professional has not disclosed our amount.'' Adani Ports spokesperson refused to comment. Veritas group could not be contacted for comment.

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2) THIRD-PARTY CARGO TO BE HALF OF TOTAL IN 3-5 YEARS: ESSAR PORTS MD & CEO

Essar Ports is a leading private port operator with an operational capacity of 95 million tonnes per annum (mtpa). We expect this to be expanded to 120 mtpa in 2020-21. The expansion being undertaken is on account of enhanced capacity utilisation on account of increased consumption and production by our anchor customers from the steel and power sectors, besides a significant increase in third-party business. We have presence across Hazira and Salaya in Gujarat on the western coast, besides Paradip in Odisha and Vizag in Andhra Pradesh on the eastern. To date, we have invested over $1.6 bn (about Rs 11,000 crore) in the development of port terminal facilities. This year, we have already completed our investments across the Salaya terminal (20 mtpa), and Vizag terminal (24 mtpa). Now we are in the process of expanding the Hazira terminal by another 1,100 metres with mechanisation.

3) INDIA PORTS' THERMAL COAL VOLUMES IN APR-DEC UP 17% FROM A YEAR AGO

India's 12 major government-owned ports handled around 78.24 million mt of thermal coal between April to December period, up 17% from the same period a year ago, according to latest data by the Indian Ports Association, or IPA released on Monday. Coking coal shipments in the first nine months of the current fiscal year April 2018 to March 2019 also went up by 15% to 42.89 million mt compared with same period last year, the data showed. Paradip port on the east coast handled the highest volume of thermal coal shipments during April to December at 24.39 million mt, up 21% from the corresponding period last year. Kolkata port also on the east coast, received the highest coking coal shipments during the period under review at 14.12 million mt, up 55% year on year. The 12 ports include Kolkata, Paradip, Visakhapatnam, Ennore, Chennai, VO Chidambaranar (Tuticorin), Cochin, New Mangalore, Mormugao, Mumbai, Jawaharlal Nehru Port Trust (JNPT) and Kandla. Chennai and JNPT did not receive any coal in the April-December period

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E) OTHER DEVELOPMENTS

1) SHELL COMPLETES ACQUISITION OF 26% EQUITY IN HAZIRA LNG AND PORTS

Shell Gas B.V., a subsidiary of global energy giant Royal Dutch Shell plc, on Wednesday announced that it has completed acquisition of 26 per cent equity interest in the Hazira LNG and Port venture from French energy player Total Gaz Electricite Holdings. The development brings Shell's equity interest in the LNG (Liquefied Natural Gas) terminal and port on the coast of Gujarat state to 100 per cent now. "The move allows Shell to build an integrated gas value chain, supply from its global LNG portfolio, regasification at the Hazira facility, and downstream customer sales," Shell said in a statement. In August last year, the gas major had announced to acquire 26 per cent stake from Total. The financials of the deal were not revealed. Strategically, the 100 per cent ownership of the LNG and port venture will enable Shell to contribute towards India’s long-term need for more and cleaner energy solutions.

2) FUEL SULPHUR DECLARATION ON BUNKER DELIVERY NOTES ENTERS INTO FORCE

Bunker delivery note (BDN) amendments relating to supply of marine fuels to ships with alternative mechanisms to address sulphur emission requirements have entered into force on 1 January 2019, IMO said. The amendments come ahead of the 1 January 2020 global fuel sulphur content cap of 0.5% from the current 3.5%. The amendments, which have been made to Appendix V of Marpol Annex VI, are intended to address situations where the bunker fuel supplied does not meet low sulphur requirements, but has been supplied to a ship using an alternative and permitted compliance method, such as scrubber, to reduce sulphur emissions. IMO said the BDN should include a declaration signed and certified by the fuel oil supplier's representative that the fuel oil supplied conforms with Marpol Annex VI, including Emissions Control Areas with sulphur content limit of 0.1%.

F) WEATHER/STRIKE- NIL

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G) INTERNATIONAL HIGHLIGHTS

1) BRENT ABOVE $60/BBL AS US-CHINA PARLEYS BUOY LONGEST RALLY SINCE 2017.

Brent oil extended its longest rally in a year and a half, rebounding above US$60 a barrel, on hopes of a resolution in the US-China trade dispute. Futures in London -- which last traded over US$60 in December -- are up for an eighth session, recovering from a 35% collapse in the last quarter of 2018. US President Donald Trump is said to be eager to strike a deal with China soon to perk up financial markets that have slumped on concerns over a trade war between the nations. Meanwhile, an industry report Tuesday was said to show American crude inventories declined. Fears of a slowdown in oil demand are receding with an easing of the long-running trade tensions, which helped drag crude prices into a bear market after they hit a four-year high in October. Confidence is also strengthening that the Organization of Petroleum Exporting Countries (OPEC) and its allies including Russia will curb output enough to counter booming US supplies and avoid an oversupply. “There is further upside to come in prices, as we see more evidence coming through that members of OPEC+ are complying with their new production cut,” said Warren Patterson, senior commodities strategist at ING NV. “We see the market largely balanced over the first half of 2019.” Brent for March settlement rose as much as US$1.29, or 2.2%, to US$60.01 a barrel and traded at US$59.80 on the ICE Futures Europe Exchange in London as of 9:50am local time. The global benchmark crude was at a premium of US$8.67 a barrel to West Texas Intermediate for the same month. WTI for February delivery climbed US$1.01 to US$50.79 on the New York Mercantile Exchange, the first time it’s back above US$50 since Dec 17. U.S.-China trade negotiations in Beijing have concluded after being extended by a day, showing both the sides are serious, according to a Chinese foreign ministry spokesman. The talks were originally scheduled for two days. Trump had earlier expressed optimism in a tweet, exclaiming “Talks with China are going very well!”

Thanks and Regards

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