**Date: 31/01/2020**

## ATLANTIC REPORT NO 05/20

## 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) OPEC AIMS TO EXTEND OIL OUTPUT CUTS THROUGH JUNE, ALARMED BY CHINA VIRUS

OPEC wants to extend current oil output cuts until at least June, with the possibility of deeper reductions on the table if oil demand in China is significantly impacted by the spread of a new coronavirus, OPEC sources said. The quick slide in oil prices over the past few days has alarmed OPEC officials, the sources say, as the new virus found in China and several other countries raised concerns about a hit to economic growth and oil demand. Oil futures were on course for a sixth day of losses with Brent crude staying below $60 per barrel. On Monday it hit a three-month low of $58.50, as the virus outbreak triggered a global selloff of riskier assets. Saudi Arabia, OPEC's de-facto leader, joined by key oil producers such as the United Arab Emirates, Algeria and Oman, sought to calm market jitters on Monday - urging caution against gloomy expectations on the impact of the virus on the global economy and oil demand. But OPEC officials have also started weighing their options and intensified internal discussion on how best to respond to the price slump, the sources said. "A further extension is a strong possibility and a deeper cut is a possibility," said one OPEC source, adding that the impact of the China virus on oil demand would be clearer over the coming week. "Extension is highly possible ... until June," another source said, adding that an additional preferable option is to extend the pact until end of 2020 and that a deeper cut was "possible" if there was a need for it. A source familiar with Russian thinking, said that although Moscow had been keen earlier to exit from cuts, it would stay on board if oil prices continued to trade below $60 a barrel. OPEC+, which includes Russia, has been reducing oil supply to support prices, agreeing in December to hold back 1.7 million barrels per day (bpd) of output until the end of March. Russia had insisted it wanted the current deal to last only until March, while Saudi Arabia has been keener for the deal to last longer, according to OPEC+ sources. This year, OPEC expects its world market share to fall further as output booms in non-OPEC rivals including the United States, Brazil, Canada, Australia, Norway and Guyana while global demand is rising. Saudi Arabia's economy, the largest in the Arab world, remains dominated by hydrocarbon revenues despite plans to diversify. It has suffered in recent years because of low oil prices and austerity measures aimed at reducing a huge budget deficit. The kingdom wants high oil prices to balance its state budget. Saudi Energy Minister Prince Abdulaziz bin Salman said on Friday all options were open when OPEC+ meets next in Vienna in early March, when asked about the possibility of a further output reduction.



Ashford Centre, 5th Floor, Opp. Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 · Fax: +91 22 66677370 · CIN Number: U63090MH1985PTC035451
Email: atlantic@atlanticglobalshipping.com · Web: www.atlanticglobalshipping.com
Registered Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)
GLOBAL HUB: ATLANTIC GLOBAL SHIPPING DMCC, DUBAI. (UAE)
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## 2) QATAR NOT INCLINED TO LOWER LNG PRICES TO INDIA

Qatar, the largest source of liquefied natural gas (LNG) for India currently, is not too keen to renegotiate the pricing of its long-term supply contract with India, Qatari Energy Minister Saad Sherida al-Kaabi said on Monday. Al-Kaabi, who also serves as chief executive at Qatar Petroleum, is on a visit to India, where India's Minister of Petroleum, Dharmendra Pradhan, said earlier on Monday that his country would like to renegotiate the prices in its long-term supply contract with Qatar. The two ministers "explored ways to make LNG more affordable for a price sensitive market like India, especially in our long-term contact," Pradhan said on Twitter after a meeting with the Qatari minister. "Qatar is our largest source of LNG. India's appetite for energy, particularly gas is increasing considerably. We see an enormous potential to further expand India-Qatar energy ties and also expect to increase our bilateral engagements beyond buyer-seller relationship," the Indian minister added. India currently imports around 8.5 million tons of LNG from Qatar under long-term supply deals, according to Reuters estimates. But spot LNG prices for the fuel delivered at Indian ports are currently around half the price compared to that in the long-term supply contracts. So Qatar's LNG prices under long-term supply contracts are now much less appealing to India, which has set a goal to more than double the share of natural gas in its energy mix by 2030. The surge in India's energy requirements will not be incremental but exponential. India is rapidly expanding its gas infrastructure to cater to the needs of nearly 70% of our population. An estimated investment of $60 billion is lined up in building the gas infrastructure. Last month, the minister said that India would surpass China to become the world's largest energy growth driver by 2030. India aims to move to a gas-based economy and looks to invest around $100 billion in energy infrastructure, including renewables.

# B) DRY COMMODITIES SCENARIO

## 1) INDIA'S CRUDE STEEL OUTPUT RISES 1.8 PC TO 111.2 MT IN 2019: REPORT

India"s crude steel output increased marginally by 1.8 per cent to 111.2 million tonnes (MT) in 2019, according to World Steel Association.The country"s crude steel production was at 109.3 MT in 2018, the global body said in its latest report. "India"s crude steel production for 2019 was 111.2 MT, up 1.8 per cent on 2018," it said, adding that the global crude steel production was at 1,869.9 MT in 2019, up by 3.4 per cent compared to 2018. Further, the report said that crude steel output contracted in all regions in 2019 except in Asia and the Middle East. Asia produced 1,341.6 MT of crude steel in 2019, an increase of 5.7 per cent compared to 2018. China"s output in 2019 was at 996.3 MT, up by 8.3 per cent on 2018. The country"s share of global crude steel production increased from 50.9 per cent in 2018 to 53.3 per cent in 2019. Japan produced 99.3 MT in 2019, down 4.8 per cent compared to 2018. South Korea produced 71.4 MT of crude steel in 2019, a decrease of 1.4 per cent when compared to 2018.



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## C) CONTAINER SERVICES

### 1) CHITTAGONG TRADE FROM INDIA

The lifting of trade sanctions with respect to transhipment cargo from east coast of India to Bangladesh and leeway given of trade licenses for feedering services to Chittagong port has opened new business avenues for trade between Vizag/kpt / Chennai To Chittagong. The Commencing of IEX service( operated by COSCO/HLL/YML) has been a shot of adrenaline for TP boxes which scheduled for Chittagong via Colombo now has the option of moving via vizag or kpt. The hinterland accumulates cargo to Chennai which moves to CCTL vis rail n onwards can be connected to Chittagong via vizag or kpt or directly through Chennai. SCI also has an considerable amount of empty 40 footers moving to Chittagong which can be routed thru vizag. The outflow of empty reefers and 40 foot containers is considerable which has to finally be repositioned to India and same was being done via Colombo. The direct connection now will act as a cost saver to the MLO's and NVOCC as the additional cost incurred for TP via Colombo will be saved and there is a huge saving in the number of days for the repositioning to India. Overall a WIN-WIN situation for the trade in general and vessel operators.

## D) PORT DEVELOPMENTS

### 1) SIGNS OF RECOVERY: CARGO HANDLING AT PORTS GAINS MOMENTUM

In an early indication of economic recovery, cargo handling in Indian ports is witnessing a spike. The trend was noticed since mid-December and gained momentum in January. Cargo handling at ports normally improves in December-January. But this year has been different due to sluggish economic growth during the last two quarters. The manufacturing sector suffered contraction for nearly five months with trailing effect on port operations. According to Indian Ports Association (IPA), 12 major (government-run) ports reported barely 0.98 per cent growth in cargo during April-December 2019. Though the growth is still lower than last year, things have certainly changed for the better in January in both bulk and containerised cargo. At Paradip, iron ore and pellet exports are maintaining a robust growth in January, leading to congestion and waiting at berths.



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## 2) CARGO TRAFFIC AT NON-MAJOR PORTS UP 4.8 PER CENT TO 447.21 MT IN APRIL-DECEMBER

Cargo traffic at India's non-major ports jumped 4.8 per cent in April-December period of the current fiscal to 447.21 million tonnes (MT), a Shipping Ministry report has said. These non-major ports had recorded a cargo traffic of 426.53 MT in the April-December period of 2018-19. During the April-December 2019-20, Directorate of Ports at Odisha recorded highest growth in traffic at 64.2 per cent followed by Ports of Tamil Nadu Maritime Board (34.1 per cent), Directorate of Ports, Puducherry, 27.7 per cent) and Ports Management Board, Andaman & Nicobar Islands (25.4 per cent) against the corresponding period of the previous fiscal, as per the report. Directorate of Ports, Karnataka, recorded a growth of 25 per cent while Gujarat Maritime Board recorded a growth of 4.1 per cent.

## E) OTHER DEVELOPMENTS

## 1) SHIPPING NEEDS TO PREPARE FOR CORONAVIRUS

The shipping industry needs to be prepared for potential restrictions in order to prevent the further spread of the 'Wuhan' coronavirus, advises Hill Dickinson, a leading maritime law firm. Preparation for potential escalation is needed, advises Beth Bradley, a partner with Hill Dickinson's marine team, who says that shipping should be prepared to face the same issues that arose in previous severe disease outbreaks, such as with other coronaviruses or Ebola, such as infection of crew members, quarantine measures, closure of ports, and possible repercussions on charterparty obligations. "While this outbreak is not currently anticipated to cause the global complications experienced by the Ebola and Sars outbreaks, it is wise for ship operators and charterers to be prepared for any greater spread of this virus," she says.
Delays caused by quarantines and deviations have a different impact under charterparties. In relation to the safety of the crew, employers have a duty of care towards the crew under their employment contracts, and a breach of such a duty may lead to exposure to a variety of claims. Under time charterparties, when a vessel is delayed by a quarantine or is forced to deviate due to an infected crew member, the vessel may be placed off-hire, subject to the wording of the charter. Common wordings of charterparties have been held to place the vessel off-hire due to legal or administrative restraints if they related to the efficiency or condition of the vessel or crew. In spite of this, should the delay be the inevitable result of orders resulting from how the charterers chose to employ the vessel, the vessel may remain on hire. The outcome in each case will depend on the facts and the wording of the charterparty. Under voyage charters, a deviation for the safety of the crew will be at the shipowner's expense as no additional freight may be payable unless, under the Hague or Hague-Visby Rules, a 'reasonable deviation' defence is successfully raised. In order to commence laytime under a voyage charterparty, owners need to tender a valid Notice of Readiness (NOR). For owners to do so, a vessel requires free pratique. Absent wording to the contrary in the charterparty, everyday practice provides that a master can give a valid NOR without having first obtained free pratique, provided that there is no reason to assume that it is anything other than a mere formality.

## 1) SHIPPING NEEDS TO PREPARE FOR CORONAVIRUS (Contd)

However, in cases of an outbreak, a vessel may be subject to quarantine delays, such that the assumption that the vessel will be able to obtain free pratique will not be a mere formality. If a vessel is calling, or has called in, an infected area, special protective measures may cause delays until the health of the crew is ascertained. The risk of such delays until a valid NOR is capable of being tendered is borne by the owner, unless the charterparty provides otherwise. Under a charterparty, charterers are under an obligation to nominate a safe port, an order with which the shipowners must comply with unless there is an unacceptable risk, or the port is known to be unsafe. Risks to the crew may render a port unsafe even where there is no risk of real damage to the vessel. Consequently, a contagious disease may legally make a port unsafe. The safety of a port depends greatly on whether proper precautions and protective measures are in place to ensure that a vessel can call at the port without risking infection of its crew. Such measures were taken during both the Ebola and MERS outbreaks, and numerous ports remained open despite being affected by the outbreak.

## 2) SOON, STATE-OWNED PORTS TOO WILL BE FREE TO SET TARIFFS

The Centre is weighing a policy to introduce dynamic pricing of services at state-owned ports, broadly following a model adopted by other consumer-facing transport sectors such as airlines and the Railways. “Like private ports, the major ports will also be able to offer tariffs to various trades depending upon the volumes, frequency, etc. The policy ll be applicable only to services, both vessel- and cargo-related, provided by the 12 major ports run by the Centre,” a government official briefed on the plan said. Private terminals operating at major ports will not be covered under the policy. “Currently, port trusts offer volume discounts/rebates to customers for container cargo and concession in vessel related charges to container ships after taking approval from its board of trustees. Once the dynamic pricing policy is in place, the port trusts will be able to raise or lower the rates at their discretion without going to the board,” the official said.

## F) WEATHER/STRIKE- NIL



Ashford Centre, 5th Floor, Opp. Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
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## G) INTERNATIONAL HIGHLIGHTS

### 1) SAUDI ARABIA OPENS TALKS ON POSSIBLE FEB OPEC+ MEETING AFTER OIL PRICE SLIDE

Saudi Arabia has opened talks with OPEC and allied oil producers about moving their upcoming OPEC+ policy meeting to early February from March, four OPEC+ sources said, after a swift slide in oil prices alarmed Riyadh. Worries over the economic impact of China's coronavirus have rattled global markets, helping send the price of crude down to around $58 a barrel from above $65 a barrel on Jan. 20. No final decision over the new date of the meeting has been made, and not all OPEC members are on board yet, with Iran a possible contender to oppose the move, the sources said. OPEC+, which includes Russia, has been reducing oil supply to support prices, agreeing in December to hold back 1.7 million barrels per day (bpd) of output until the end of March. OPEC wants to extend current oil output cuts until at least June from March, with the possibility of deeper reductions on the table if oil demand in China is significantly impacted by the spread of the coronavirus, OPEC sources told Reuters on Tuesday. Russia is yet to officially communicate its final position on bringing forward the OPEC+ meeting, the sources said. One Russian oil source suggested Moscow may want to reassure the market it is willing to bring forward the meeting to prevent oil prices from falling further. Countries have started isolating hundreds of citizens evacuated from the Chinese city of Wuhan on Thursday to try to stop the spread of an epidemic that has killed 170 people. Saudi Arabia, OPEC's de-factor leader, and other OPEC members are worried the continued spread of the virus could hit oil demand and lead prices to fall further, the sources said. "The Saudis want to put a floor under the oil prices, they want to do something to prevent prices from falling more. There are several discussions going on between the countries now about that," one OPEC+ source said, adding Riyadh did not want to see oil prices below $60 a barrel. Saudi Arabia's economy, the largest in the Arab world, remains dominated by hydrocarbon revenues despite plans to diversify. The kingdom wants high oil prices to balance its state budget. "The Saudis are the ones wanting to move it forward," said a non-Saudi OPEC source. Another OPEC source said not all in OPEC were on board with bringing forward the meeting, including Iran. Algeria's energy minister Mohamed Arkab said on Wednesday it was "very possible that OPEC+ meeting could be advanced to February instead of scheduled meeting in March," the state press agency reported. The source familiar with Russian thinking said the OPEC+ meeting would most likely take place over the early weeks of February but no final decision had been made.

**Thanks and Regards**

**Ronak Shetty**
**Managing Director**
**ATLANTIC GLOBAL SHIPPING PVT LTD**
Offices at all ports in India
**ATLANTIC GLOBAL SHIPPING LLC**
Offices at all ports in UAE
**SUNRICH COMPANIES**