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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) EXXONMOBIL-INDIANOIL PACT WILL ADDRESS CONSUMERS NOT SERVED BY PIPELINES

The agreement between ExxonMobil, Indian Oil and Chart Industries, to develop 'virtual pipelines' in India, is aimed at meeting the natural gas demand from consumers not connected by existing pipeline networks. On Monday, ExxonMobil India LNG signed a letter of cooperation (LoC) with Indian Oil Corporation and Chart Industries to establish a system of transportation infrastructure to expand gas access in India. These 'virtual pipeline systems' will deliver LNG by road, rail and waterways to areas not connected by physical pipelines, the companies said. "Consumers currently relying on naphtha and fuel oil will be on the cross-hairs of this agreement on account of the cost economics," said Sumit Pokharna, Research Analyst - Oil and Gas Sector and Vice-President, Kotak Securities. "These are dominant in the fertilisers, oil refineries and refractories sectors. Additionally, as more stringent emission norms are enforced, many consumers without pipelines in the vicinity may want to switch to natural gas." "Just to illustrate, the pollution control body banned manufacturing plants in Morbi (Gujarat) from using polluting fuels, resulting in a significant jump in gas consumption. In fact, gas accounts for 26 per cent of the energy consumption mix in Gujarat," Pokharna added. Analysts also said the present low price of natural gas in the spot market is an incentive for gas-based power plants to reconsider initiating operations. But relying on the spot price of natural gas remaining in the $3-4 a unit range is a risky bet for longer-term profitability. Industries that can absorb fluctuating natural gas prices will be better placed to look at the LNG supplies that come from the ExxonMobil-IndianOil-Chart Industries agreement. "The parties will implement a gas infrastructure initiative that leverages LNG ISO intermodal containers to move gas as a reliable, cleaner and cost-effective fuel," said an ExxonMobil statement. "This is only an exploratory agreement; the fiscal and operational terms will be firmed up later," officials in the know said. "IndianOil is already serving some such consumers through trucks fitted with specialised cryogenic LNG containers. "Under the agreement, Chart Industries will develop the equipment to develop the 'virtual pipeline'. ExxonMobil is said to be sourcing the LNG while IndianOil will handle the distribution infrastructure.

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2) IOC INVESTS RS 30 BILLION TO UPGRADE HALDIA REFINERY FOR BS-VI

Indian Oil Corporation (IOC) has made an investment of around Rs 30 billion to upgrade its refinery at Haldia to meet BS-VI emission norms, an official said on Thursday. The oil marketing PSU will invest another Rs 3.88 billion for setting up a grassroot bottling plant at Kharagpur, diesel exhaust fluid (DEF) plant at Budge Budge and lube blending unit at Paharpur in West Bengal. "IOC has made an investment of Rs 30 billion for upgrading the refinery at Haldia for the manufacture of petrol and diesel to comply with BS-VI emission norms," Pritish Bharat, ED (West Bengal, Sikkim and A&N), said. The new norms will come into force from April 1. He said the new BS-VI compliant fuel will have very low sulphur content as compared to BS-IV petrol or diesel. The company has incurred a total expenditure of around Rs 170 billion across its refineries in India to manufacture BS-VI compliant fuel, Bharat told reporters here. "All the retail outlets of IOC will be ready to supply BS-VI compliant fuel from April 1," he said. The official said IOC will be investing Rs 1.63 billion to set up a new bottling plant at Kharagpur with a proposed capacity of 120 mtpa, which will be commissioned by 2021. The company is also coming up with a DEF plant at Budge Budge at an investment of Rs 750 million, Bharat said, adding, the new type of fuel will be required to be used by heavy commercial vehicles for reducing emission of nitrogen oxide. IOC will be investing Rs 1.50 billion for a modern lube blending unit at Paharpur in the southern outskirts of the city, he said. To a query, Bharat said initially, customers will not have to pay a higher price for purchasing BS-VI compliant fuel. He said IOC has awarded contracts to two private players for setting up compressed bio-gas plants in the state. Besides plans to automate all its retail outlets, the company will also augment its LPG distributor network.

3) INDIA’S IMPORT OF US OIL JUMPS 10-FOLD TO 2,50,000 BPD

US oil supplies to India have jumped ten-fold to 2,50,000 barrels per day (bpd) in the last few years, visiting US Energy Secretary Dan Brouillette said on Tuesday. Speaking at a business meeting alongside US President Donald Trump, he said Indian imports of US oil were 25,000 bpd a couple of year ago, and have now risen to 2,50,000 bpd. US is India's sixth largest oil supplier. India began importing crude oil from the US in 2017 as it looked to diversify its import basket beyond the OPEC nations. It bought 1.9 million tonnes (38,000 bpd) of crude oil from the US in 2017-18 and another 6.2 million tonnes (1,24,000 bpd) in 2018-19. In the first six months of current fiscal (2019-20), US supplied 5.4 million tonnes of crude oil to India. Iraq is India's top crude oil supplier, meeting close to one-fourth of the country's oil needs. It sold 26 million tonnes of crude oil to India during April to September. India, which is 83 per cent dependent on imports to meet its oil needs, bought 111.4 million tonnes of crude oil from overseas during April-September. Saudi Arabia has traditionally been India's top oil source, but has been relegated to the second spot, exporting 20.7 million tonnes of crude oil in the first six months.

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B) DRY COMMODITIES SCENARIO

1) CENTRE REALLOCATES UNUSED SUGAR EXPORT QUOTAS TO BOOST SHIPMENTS

India has reallocated unused sugar export quotas of more than 600,000 tonnes among mills after some producers failed to ship because of a drop in output, a government circular said on Monday. The redistribution of quotas could lift exports from the world’s biggest sugar producer in coming months and may weigh on global prices that hit a two-and-a-half-year high earlier this month. Export quotas of 611,797 tonnes have been redistributed after reviewing export performance of the mills, the Ministry of Consumer Affairs, Food and Public Distribution said in a circular. Years of bumper cane harvests and record sugar production have hammered Indian sugar prices, making it hard for mills to pay money owed to farmers, who form an influential voting bloc. To reduce that debt and pare rising inventories, New Delhi has approved a subsidy of Rs 10,448 ($145) a tonne for exports of 6 million tonnes in the 2019/20 season. But many sugar mills, especially from the western state of Maharashtra, failed to export sugar due to a drop in production as cane plantations were hit by drought and floods. “The government has done reallocation at the right time. This will give momentum to exports in the coming months,” said Prakash Naiknavare, managing director of the National Federation of Cooperative Sugar Factories. India could export more than 5 million tonnes of sugar in the 2019/20 marketing year ending on Sept. 30, Naiknavare said. India had set export target of 5 million tonnes for 2018/19, but mills managed to export only 3.8 million tonnes despite incentives provided by New Delhi. New Delhi has been consistently reviving the export performance of mills and could reallocate export quotas of 300,000 to 400,000 tonnes in April, said a government official, who declined to be named.

The rally in global prices has made exports attractive for mills that have a surplus, said a Mumbai-based dealer with a global trading firm. Indian mills have contracted to export 3.2 million tonnes of sugar so far in the 2019/20 season and nearly 1.6 million tonnes have already been shipped, the Indian Sugar Mills Association (ISMA) said last week. The country’s sugar output in 2019/20 could fall 21.6 per cent from a year ago to 26 million tonnes, the lowest level in three years, ISMA said.

C) CONTAINER SERVICES

1) CONTAINER FREIGHT HIKE ADDS TO INDIA, PAKISTAN IMPORT SCRAP RALLY

A container shortage and freight hikes across Europe led to a sharp increase in imported shred prices to both India and Pakistan this week. Containerized shredded scrap into Nhava Sheva at $307/mt CFR Friday, up $20/mt week on week. In Pakistan prices of imported shredded scrap increased by around $15/mt week on week to deals heard concluded at around $315/mt CFR. Container freight for March sailings have soared on a shortage caused by the coronavirus outbreak. For sailing in the first week of March, which implied loading this week, 20-foot container prices with one shipping company to the subcontinent were up $225 per container, according to information from scrap merchants. For the second week of March an additional $50 was announced, followed by another $150 for the third week of March, bringing the total increase in container freight for the second half of March to $425.

D) PORT DEVELOPMENTS

1) NO PSIC REQUIRED FOR METALLIC SCRAP IMPORT AT KATTUPALLI PORT FROM SAFE COUNTRIES

The government has included Kattupalli Port in the list of sea ports where pre-shipment inspection certificate (PSIC) will not be required for importing metallic scrap from safe countries. According to a public notice of the Directorate-General of Foreign Trade (DGFT), "import of metallic scrap from safe countries/regions without PSIC can now be facilitated through Kattupalli Port (in Chennai) as well". DGFT is an arm of the Commerce Ministry which deals with export and import related matters. The safe countries include the US, the UK, Canada, New Zealand, and Australia, besides the European Union. It said import consignments of metallic waste and scrap shall be subject to PSIC from the country of origin. "However, metallic waste and scrap (both shredded and unshredded) imported from safe countries/region will not require PSIC if consignments are cleared through the eight ports," it added.

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2) KOLKATA PORT TRUST, INDIA'S OLDEST PORT, TO LEASE AREA AS BIG AS LONDON DOCKLANDS

Kolkata Port Trust, which owns an area as large as the London Docklands but uses less than half of it, is looking to rent out more of this land to boost profit. India's oldest operating port has hired property consultant JLL India to survey and digitize records of its land bank, Chairman Vinit Kumar said in an interview at his office in Kolkata. Kolkata Port owns about 4,500 acres (18 square kilometers), of which it directly uses about 2,000 acres. "We plan to gainfully utilize this land bank," Kumar said. "The focus is on improving operations, augmenting capacity and also diversification." Its total holdings are roughly the size of the derelict London Docklands, before bits of it were sold off starting around 1970 and today house the Canary Wharf development. The 150-year-old Kolkata Port is now focused on improving profitability after years of high costs.

E) OTHER DEVELOPMENTS

1) INDIA, US MOVING TOWARDS FREE TRADE AGREEMENT.

India and the US have begun talks towards a free trade agreement, according to Minister for Commerce and Industry Piyush Goyal. "Both the leaders (Narendra Modi and Donald Trump) have decided to formally engage to move towards a free trade agreement between the two big economies. My own sense is that America will also gain very significantly with this Indian partnership," Goyal said at the India-US Business Story: Opportunity, Innovation, Entrepreneurship. The session was organised by the Confederation of Indian Industry and the US-India Business Council (USIBC) to coincide with US President Donald Trump's visit to India. Speaking at a session titled the 'Future of Energy Partnership', Minister for Petroleum and Natural Gas and Steel Dharmendra Pradhan said the high importance attached to the energy component of the bilateral engagement is rather evident from positive developments during the last three years under the India-US strategic energy partnership.

2) OPERATIONAL INCENTIVE FOR COASTAL SHIPPING ENHANCED

The operational incentive for vessel operators has been enhanced by the government as part of promoting coastal shipping in the State. The operational incentive will be 50% of the road transportation cost per loaded containers of 20 feet and will be applicable to the ports of Kollam, Beypore and Azhikkal at the rates prevalent in Cochin port and Vallarpadam container terminal. The reference rates will be those decided by the respective Port authorities. An enhanced operational incentive of 30% to be above rates will be applicable to the 40 feet containers. The decision to enhance the operational incentive is based on the recommendations by a committee that was asked by the government to look into the suggestions of Director of the Ports and the proposal given by the Chief Executive Officer, Kerala Maritime Board. While setting up the committee to look into the proposals, the government was of the view that a State policy could not be formulated without scientific study.

F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) CHINA'S UNIPEC SNAPS UP OVER 6 MLN BBLS OF GASOIL IN FEB – DATA

China's Unipec, an arm of Asia's top refiner Sinopec snapped up the lion's share of gasoil cargoes traded in Singapore this month, despite weaker domestic demand amid a coronavirus epidemic, according to trade data and industry sources. Unipec has bought about 6.4 million barrels of gasoil with a sulphur content of 10 parts per million (ppm) during the Platts Market on Close (MoC) process in Singapore this month, or 77.5% of the total volume of 8.3 million barrels traded in February, the data showed. The purchases were made even though China has ramped up fuel exports in recent weeks to compensate for losses to domestic demand as it grapples with the virus outbreak, having not been able to prevent a surplus even after refining output cutbacks. Unipec bought the majority of these cargoes from PetroChina and Trafigura, starting at cash premiums of as high as $1 a barrel to Singapore quotes near the beginning of this month, down to the most recent purchase at a 20-cent premium on Tuesday. The trader was likely trying to take advantage of arbitrage opportunities and it could ship the bulk of its recent purchases to Europe, three trade sources said. Unipec was not immediately available for a comment. The exchange of futures for swaps (EFS), or the gasoil price spread between Singapore and northwest Europe, is trading at around minus $18 per tonne, making it viable for traders to send the fuel to Europe from Asia. The arbitrage is usually profitable when the EFS trades at about minus $15 a tonne or wider, traders said. Unipec has provisionally chartered at least two long-range (LR) Aframax-sized vessels, SKS Driva and SKS Delta, to carry 10 ppm gasoil from Asia to discharge in Europe in March, according to a Singapore-based ship-broker and Refinitiv data. Both vessels can each carry up to 90,000 tonnes of oil, or about 675,000 barrels. The market structure for 10 ppm gasoil has been in backwardation this year, with the front-month contract being more expensive than subsequent months, making it uneconomical to store the product. The front-month spread for 10 ppm gasoil in Singapore traded at a premium of 19 cents a barrel on Tuesday. Also a major gasoil supplier, Unipec, won this month part of a tender to supply Bangladesh Petroleum Corp (BPC) with oil products in the first half of 2020 after placing the lowest offer for up to 450,000 tonnes of gasoil.

Thanks and Regards

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