Global refiners raise cleaner shipping fuel output ahead of IMO 2020

REUTERS

Global oil refiners have upgraded processing units and adjusted operations to raise output of low-sulphur residual fuels and marine gasoil (MGO) to prepare for stricter shipping fuel standards that kick in on Jan. 1, 2020.

The new International Maritime Organization (IMO) rules prohibit ships from using fuels containing more than 0.5 percent sulphur, compared with 3.5 percent through the end of December, unless they are equipped with exhaust-cleaning "scrubbers".

The shipping industry consumes about 4 million barrels per day (bpd) of marine bunker fuels, and the rule changes will impact more than 50,000 merchant ships globally, opening a significant new market for fuel producers.

Below is a summary of how top refiners have prepared.

The world's largest refiner, Sinopec Corp , has started very low-sulphur fuel oil (VLSFO) output at 10 refineries in China, including Zhenhai Refining and Chemicals Co, Jinling Petrochemical Co and Hainan Petrochemical Co.

The company plans total VLSFO capacity of 10 million tonnes a year (about 180,000 bpd) by 2020. It also plans to build a fleet of 100 barges over the next three years to supply cleaner fuels to ships.

PetroChina has pledged 4 million tonnes of VLSFO in 2020, likely from its Jinzhou, Jinxi and Dalian refineries in China's northeast, and Guangxi refinery in the south.

PetroChina Fuel Oil Co Ltd has a license to supply ship fuel in Zhoushan on China's east coast. Total plans to supply marine fuel in Zhoushan in a joint venture with China's Zhejiang Energy.

China Marine Bunker, known as Chimbusco, secured at least 4 million tonnes of VLSFO for the fourth quarter of 2019 and the first two quarters of 2020, and has started to supply all major Chinese ports from bonded storage.

Top South Korean refiner SK Energy, a unit of SK Innovation , started supplying MGO from October. It can produce up to 27,000 bpd of marine gasoil, about 8 percent of its total gasoil output.

SK is also building a vacuum residue desulphurisation (VRDS) unit that can produce 40,000 bpd of LSFO* due online in March or April 2020.

Its affiliate SK Trading International has signed six-month contracts with some shippers to supply VLSFO from the fourth quarter.

Hyundai Oilbank has said it will sell VLSFO from November.

In Japan, Fuji Oil Co Ltd, Cosmo Energy Holdings Co Ltd and Idemitsu Kosan Co Ltd began shipping IMO-compliant fuels in October.

Idemitsu is shipping IMO-compliant fuel from five locations and plans another site from December, its spokesman said.

In the world's largest marine fuels market, Royal Dutch Shell loaded its first LSFO cargo from its Pulau Bukom refinery in September, and Singapore Refining Company (SRC), a joint venture of Chevron Corp and Singapore Petroleum Co , supplied its first VLSFO cargo in October.

Chevron said its VLSFO and MGO supply capacity in Asia could double in the next one to two years.

Elsewhere in Asia, Vitol is building a 30,000 bpd crude processing unit in Malaysia to supply LSFO starting in May 2020, and IRPC Pcl said it will produce 52,000 tonnes of VLSFO in November, making it Thailand's first refinery to produce IMO-compliant fuel.

Indian Oil Corporation Ltd has started supplying IMO-compliant fuel in India.

Uniper Energy DMCC operates two crude processing units in Fujairah that annually produce 3.6 million tonnes of VLSFO, including 0.1 percent sulphur fuel used in regional Emission Control Areas.

Brooge Petroleum and Gas Investment Co (BPGIC) said it plans a 250,000-bpd refinery in Fujairah to produce low-sulphur fuel. Qatar Petroleum said in October it has started supplying VLSFO at its ports.

Marine fuel supplier Peninsula Petroleum plans to double VLSFO deliveries to 600,000 tonnes by year-end in Europe and the Americas.

Gunvor Group will overhaul its refinery in Rotterdam in March to produce LSFO.

Most U.S. Gulf Coast refiners are able to process heavy crudes used to make IMO-compliant marine fuels, and have spent heavily this year refurbishing distillation units and cokers to process cheaper, heavy grades.

Motiva Enterprises overhauled its Port Arthur, Texas, refinery, the nation's largest, this year so it can produce compliant fuels. This month, PBF Energy, restarted a coker at its Chalmette, Louisiana, refinery that had been idled nine years. Some U.S. refiners have also been importing high-sulphur fuel oil to turn into cleaner refined products for sale worldwide, as fuel oil hit a three-year seasonal low.

LSFO stands for fuel oil with sulphur content of between 0.5 percent and 1 percent; VLSFO for fuel oil with a sulphur content of less than or equal to 0.5 percent; and ultra low-sulphur fuel oil (ULSFO) for fuel oil with sulphur content of less than or equal to 0.1 percent. Refineries that lack the technology to product VLSFO outright, may produce LSFO and blend it down to IMO-compliant levels.

REUTERS/FILE

A container ship arrives at Yusen Terminals on Terminal Island at the Port of Los Angeles in California, US.

South African Airways running out of cash as unions seek to expand strike

REUTERS, *Johannesburg*

South African Airways (SAA) is running out of cash and could be liquidated if the government doesn't give it additional guarantees soon, a board member said on Wednesday, as trade unions threatened to escalate a crippling strike.

State-owned SAA has racked up losses of more than 28 billion rand ($1.9 billion) over the past 13 years and wants to cut jobs as part of a turnaround plan.

The National Union of Metalworkers of South Africa (NUMSA) and South African Cabin Crew Association (SACCA) called a strike at SAA last week after wage talks turned acrimonious and the airline said it planned to cut almost 20% of its staff.

On Wednesday the unions threatened to follow through with a plan to shut down South Africa's entire aviation sector via a secondary strike. SAA board member Martin Kingston told Reuters the strike was costing the airline around 50 million rand a day and that banks weren't willing to lend the company more money without the government approving more state guarantees.

"We may not have enough cash to pay salaries at the end of the month, we are still investigating how we can do that," he said. "This is a real-time discussion we are having with National Treasury and the Department of Public Enterprises. We need help imminently." The financial crisis at SAA is a key test of President Cyril Ramaphosa's pledge to fix bloated state firms. He needs to balance the need for cost-cutting and job cuts with deep-seated anger at the country's 29% unemployment rate and the weak state of the economy.

A broad cross-section of society also vocally opposes any moves that could weaken the role of state firms.

SAA's last permanent Chief Executive Vuyani Jarana resigned in June after less than two years in the job, saying his turnaround strategy was being undermined by a lack of state funding and too much bureaucracy.

The striking unions held talks with the government and SAA on Tuesday, which ended without any agreement.

NUMSA spokeswoman Phakamile Hlubi-Majola said there would be "no surrender". The union had issued aviation catering firm Air Chefs with a letter of intent for a secondary strike and had secured a strike certificate for a separate issue at British Airways franchise partner Comair, she said. Public Enterprises Minister Pravin Gordhan said in a statement on Tuesday he was committed to saving SAA but the government was not able to offer more financial help.

Over the last three years, the government has given more than 20 billion rand of bailouts to SAA to keep it afloat.

Ramaphosa needs to halt a steep run-up in government debt if he is to preserve the country's last investment-grade credit rating from Moody's, which has a negative outlook.

Amazon uses aggregated seller data to help business, it tells lawmakers

REUTERS, *Washington*

Amazon.com Inc uses "aggregated data" from sellers in its third-party marketplace to improve its overall business, the online retailer said in response to a congressional antitrust probe that could raise concerns with such sellers.

Such data, also culled from public sources and Amazon's first-party sales, is available to the company's retail and private brand teams, it said in an Oct. 11 document released by the U.S. House of Representatives Judiciary Committee on Tuesday.

The panel, which is investigating potential breaches of antitrust law by big technology companies, also made public the responses from Facebook Inc, Alphabet Inc's Google and Apple Inc.

Data on individual sellers is not used to improve Amazon's business, the company said, and its teams do not use seller data to launch, source or price private label products, which number about 158,000.

Amazon's response offers a glimpse into how data from sellers, who compete with Amazon's retail business, informs the Seattle-based company's decisions. Merchants on Amazon's platform have long worried that the world's largest online retailer would use information at its disposal to undercut them.

Amazon did not immediately respond to a request seeking comment. In the congressional response, it said use of public and aggregated sales data to spot in-demand products is standard practice in retailing, one of Amazon's many businesses.

In October, the committee said it expected a final report on its probe by the "first part" of next year. Amazon also said it may ask third-party merchants to lower prices on Amazon.com when it finds the sellers asking for less on a competing website.

Asked how it ranks shopping results on its website, Amazon said its algorithm does not consider factors such as whether it has a competing private label brand, if a competing third-party seller has purchased ads, or if the seller is enrolled in Amazon's logistics program.

It instead considers a product's availability, price and how frequently it was purchased.

Amazon did not offer details on several items requested by the subcommittee. These include how many of its private label products are sold at cost or below cost, how much revenue and profit Amazon makes from selling private brands, and its pricing rationale for third-party marketplace services.

Brexit 'damaging for Ireland': new central bank chief

AFP, *Dublin*

Britain exiting the European Union is "damaging for Ireland", the country's new central bank chief said Wednesday in his first formal speech.

"Any form of Brexit will be damaging for Ireland," Gabriel Makhlouf said as British Prime Minister Boris Johnson looks to leave the EU by January 31 having recently secured a divorce deal with Brussels.

"Looking ahead... trade and ongoing geopolitical tensions as well as Brexit pose risks to growth," said Makhlouf, who took up his new position in September.

Irish Prime Minister Leo Varadkar has said that Johnson's Brexit deal would benefit both eurozone-member Ireland and neighbouring Northern Ireland.

The UK province's border with Ireland had been a major complication in Britain striking its Brexit deal.

Speaking Wednesday in Waterford, southeast Ireland, Makhlouf said "the small and open nature of the Irish economy means that it is always particularly vulnerable to shocks stemming from abroad.

"External risks are heightened at the moment, both due to structural developments -- including the ongoing possibility of a disorderly Brexit and the risk of an escalation of trade wars -- as well as cyclical developments, such as a sudden change in global financial conditions," he added.

The central bank chief said reducing Irish public debt would help to "withstand negative shocks".

As for Brexit alone, it "represents an enormous change -- and transition -- for the citizens of Ireland, for many Irish firms and for the economy as a whole", he said.

"Brexit will inevitably bring disruption -- even with a 'deal' -- which, by its very nature, will dissipate over time.

"But we must not lose sight of the inevitable long-term costs," Makhlouf stressed.

In September, Ireland's central bank warned one in three farms would be at risk in a no-deal, which could see trade barriers erected and stiff tariffs imposed on meat.

Meanwhile, Brexit itself remains at risk, depending on the outcome of Britain's general election on December 12.

Transport strike disrupts exports

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Many of the garment manufacturers and exporters have faced similar kind of troubles in running factories, dealing with international buyers and sending consignments from Dhaka to the Chattogram port for shipments.

"Our staff cars were stopped on way to the office at Adamjee disrupting office hours. Workers' buses were stopped for which the number of absentees was high today (yesterday)," said Sharif Zahir, managing director of Ananta Group, a leading garment exporter.

"Shipment trucks could not leave for Chattogram which is the biggest worry as it will lead to air shipments if we miss the cut off. If this goes beyond today we will be in a big big financial mess," he said.

Facing troubles in transporting goods, Zahir is now negotiating with his buyers for extending the shipment period of the consignments.

"We will try for extension first if not air shipment," he said, adding that air shipment costs usually amount to 40 percent of the value of the goods being sent. Zahir's shipments were supposed to go to China and the UK.

"Any disruption without heads up puts strain on business," said Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry, the country's apex trade body.

"All of them (garment exporters) are complaining. Even buyers are getting stuck during factory visits!" said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Most of the garment manufacturers will have to send the goods by air to meet the deadline set by the international retailers. The manufacturers cannot make any profit if he or she has to go for air shipments.

For instance, the airfare for sending one kilogramme (kg) of garments from Dhaka to the London is $3, which has to be paid by the exporter, said Hatem.

However, if goods are sent over the sea, the transport cost is completely borne by the importer, meaning exporters have to pay nothing in the regard, he said.

He said a 20-feet container can hold 10 tonnes of garment cargo and between $1,200 and $1,500 needs to be paid as fare to the shipping companies by the buyer.

However, if the same quantity of garment goods are sent through air shipments, exporters will have to pay $30,000 to the air cargo company, as air fares are not included in the pricing.

"It is very difficult to run business smoothly with a profit of just $7,000 from the shipment of 10 tonnes of garment cargo," Hatem said. So, finally the exporters start incurring losses and gradually becoming defaulters.

Hatem said the garment factories have also been facing troubles in movement of their covered vans inside the country for the strike, for which production at factories are facing troubles.

If the strike continues for long, production in most factories will be halted and finally the shipments as well, he added.

BB clears up confusion over remittance incentive

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Yesterday's notice also extended the timeframe to 15 working days from the existing five days to submit documents for the amount that goes past $1,500, or Tk 150,000, in euros, pound sterling and other foreign currencies.

In the budget for fiscal 2019-20, the government introduced 2 percent cash subsidy for remitters to encourage them to send money home through legal channels.

This has given a boost to the remittance inflow, a Bangladesh Bank official said.

The government has set aside Tk 3,060 crore for the incentive purpose in the current fiscal year.

In Bangladesh, remittances have a large development impact because they are 2.3 times the net official development assistance, foreign direct and portfolio investments combined.

Remittances reached $16.4 billion in FY19, a new historic height in nominal terms. Migrant workers sent home $1.63 billion in October, the second largest inflow in a single month.

Last month's receipts were up 32.28 percent from a year earlier and 11.64 percent from a month prior, according to the latest data from the central bank.

Stocks sink below 4,700 points

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So, stock investors were disappointed, he added.

For instance, the ICB incurred a loss in the quarter whereas it booked profit in the same quarter of the previous year.

Turnover, another important indicator of the market, rose by 6.7 percent to Tk 406.34 crore yesterday.

Of the traded issues, 132 advanced, 161 declined and 47 remained unchanged.

Grameenphone dominated the turnover chart with transaction of Tk 21.44 crore worth of shares, followed by Square Pharmaceuticals, National Tubes, Asian Insurance, and Wata Chemicals.

Bangladesh Autocars was the day's best performer with a 9.97 percent gain, while Wata Chemicals was the worst loser, shedding by 18.33 percent.

Chattogram stocks were also down with the bourse's benchmark index, the CSCX, decreasing 46.17 points, or 0.52 percent, to finish the day at 8,670.08.

Losers beat gainers as 111 declined and 91 advanced while 39 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded shares and mutual fund worth Tk 15.61 crore.

Bangladesh's exposure to illicit financial flow very high: Unctad

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Seven countries including Bangladesh are meeting the 7 percent growth target and yet Bangladesh remains in the list of LDCs that has less than 10 percent tax revenue to GDP ratio.

The LDC average is 19 percent, according to the report.

Subsequently, it called for ramping up of tax effort, which is the ratio of actual tax collection to the predicted tax revenue. Bangladesh is one of the seven LDCs with relatively lower tax efforts: it has a score of 0.68 against the LDC average of 0.8.

"The analysis of tax revenue potential shows that tax efforts in some countries including Bangladesh need to be improved, the report said.

Bangladesh had the highest share of loans in total official development assistance (ODA): it was about 65 percent in 2015-17, up from around 45 percent in 2010-2012.

In case of Bangladesh, ODA has been less concessional and in the last decade the loan to grant ratio increased drastically, the report said.

The country also ranks 4th among the top 20 beneficiary LDCs in terms of distribution of privately mobilised capital during 2012-2017, the report said. "Bangladesh has been listed among the LDCs that are facing an alarming increase in domestic and external public debt," the report said.

CPD Distinguished Fellow Bhattacharya said Bangladesh has to depend on foreign finance as it cannot arrange all its required funds domestically. However, since the country is close to graduating from the LDC bracket financiers now deem Bangladesh to have the capacity to borrow at higher rates of interest, he said.

Bangladesh is gradually moving towards both aid and loans and its debt has increased in recent years, resulting in an increase in overall debt.

"On the other hand, we cannot use the finance efficiently," he said.

Bhattacharya said 37 percent of the annual development programmes rely on foreign finance. Of the foreign finance, 47 percent is used for social sectors and 43 percent for financial infrastructure.

"That means dependence on foreign finance is high," he said, while suggesting continued efforts towards exploring concessional finance.

At the same time, the rationale for the loans, the use of funds and repayment terms must be considered at length, he said, adding that many countries borrowed in a way that became unsustainable.

"There is also no alternative to collecting tax and we have to be cautious in preventing illegal fund outflow," he said. CPD Executive Director Fahmida Khatun and Research Director Khondaker Golam Moazzem were present at the launch of the LDC report 2019.

Tax fair brings NBR Tk 2,613cr

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At the fair, 32,961 taxpayers signed up for Taxpayer Identification Number (TIN).

Yesterday, 21 banks, financial institutions and insurance companies under the Large Taxpayers' Unit (LTU) handed over pay orders of Tk 293 crore to NBR Chairman Md Mosharraf Hossain Bhuiyan at the fair in Dhaka, said the press release.

Besides, former communications minister Syed Abul Hossain paid Tk 30 crore tax at the show. Hossain is the highest individual taxpayer at the LTU, said the press release. Despite the end of the show, individual taxpayers will be able to file their returns until November 30, the last day of submission, which is observed as Tax Day in Bangladesh.

"We have directed field offices so that taxpayers can furnish returns and pay tax in a festive mood like the fair," said Bhuiyan.

"We are taking steps to expand the tax net."

The NBR expects that the total tally of tax return submission will increase to nearly 30 lakh at the end of the current fiscal year, from nearly 22 lakh the previous year, which is just 1.33 percent of the population.

Now, the number of TIN-holders is more than 44 lakh, up from nearly 19 lakh three years ago.