

Promotion of Trans-Boarder Business of Crude Oil and Petroleum Products in the SAARC Region

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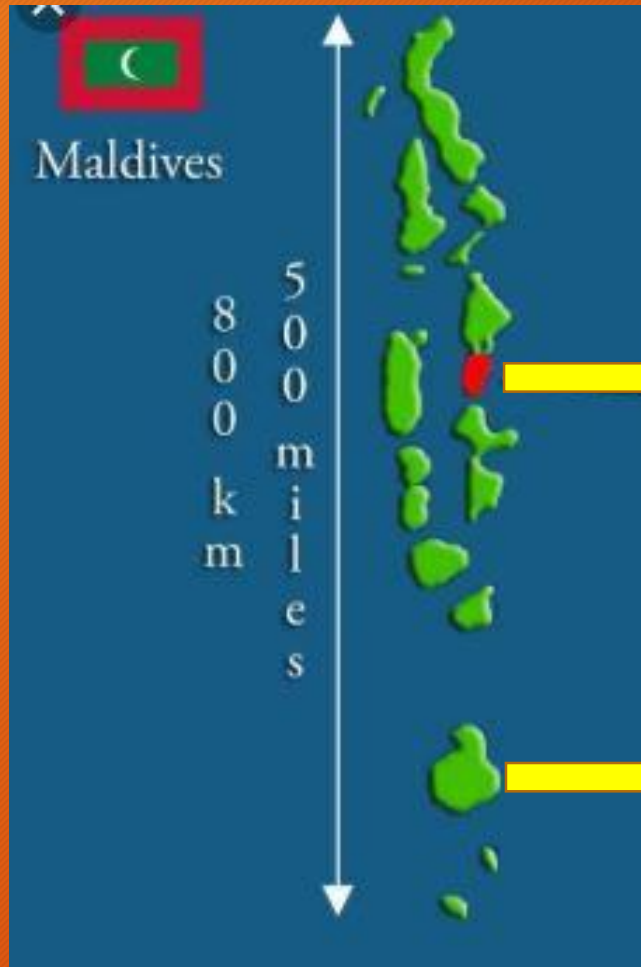
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Male', Republic of Maldives

SAARC Countries

- Maldives,
- India,
- Pakistan,
- Nepal,
- Sri Lanka,
- Bangladesh,
- Bhutan and Afghanistan



The Republic of Maldives {The Maldive Islands or in local language “Dhivehi Raajje” or Jazeera Raajje}



Male' City



An Island



The Republic of Maldives {The Maldives Islands or in local language “Dhivehi Raajje” or Jazeera Raajje}

- The Republic of Maldives is an island nation of about 1100 islands of coral nature formed on the Lakshadweep chagos Ridge stretching from North to South to about 500 nautical miles located in the Indian Ocean.
- As of now there is no Oil Refinery in the Maldives however to meet the local energy needs Clean Petroleum Products (CPP) are imported to Maldives from UAE and less frequently from Singapore.

Main CPP products are:

- Jet Fuel- Jet A1
- Marine Gas Oil (MGO)
- Petrol (ULG)
- Lub Oil
- A very small quantity of Kerosene just once a year .

Law, Regulations or Procedures

- As of now there is no specific Law, Regulations or Procedures provided in relation to Crude Oil or Petroleum Products on the Trans-border business within the SAARC countries or any other region however following duties are imposed on CPP products for use of local consumption
- Customs duty on MGO, ULG & Jet Fuel is 5% for local consumption
- Customs duty on sale of Jet fuel to International flights is nil

Investment Promotion

- Foreign Direct Investments (FDI) has always played a crucial role in the economic development of the Maldives
- The Government acknowledges the importance of foreign investment and recognizes its contribution to economic development and employment creation.
- The success of foreign investments in the Maldives can be attributed to its open and liberal economic environment, relative political stability and the consistent growth of the economy, which has achieved an average annual growth rate of 7.5 percent over the last 15 years

Investment Promotion

- Literally, all sectors of the Maldives economy are open for foreign investors. These investments, irrespective of their size, are encouraged to enter and operate in the Maldives. Thus, capitalizing on the numerous benefits of investing in the Maldives, many reputed international brand names have already established their presence in the country.

INVEST MALDIVES

- Invest Maldives is the government agency entrusted with promoting, regulating and licensing foreign investments in the country. It is the first port of call for all foreigners keen on investing in the Maldives.
- The process of registering a foreign investment, as required by Law, is simple and straight forward.
- Prospective investors can expect to get their operations under way within 10 days from the date that all the required documentation is submitted to Invest Maldives.

INVEST MALDIVES

- Invest Maldives will pave the way for speedy commercial operations by providing assistance for every stage of the investment process. The objective is to provide a one-stop-service for all investors wishing to invest in the Maldives.

Services

- Invest Maldives plays an active role in supporting investors in their establishment and operations. The following are the main functions and services that are provided by Invest Maldives:
- Marketing and promotion of the Maldives as an investment destination.
- Providing information on the Maldives and potential areas of investment to prospective investors.
- Providing information and guidance on investment approvals and business registration.
- Disseminate in
- Co-ordination with line ministries in facilitating business operating licenses for investors
- Maintaining the co-ordination and dialogue process of strategic investment projects of the Government.

Following are few extractions from the Maldives Customs Services Official web site

Import Laws & Regulations

The purpose of rules, regulations is to ensure a service standard and performance while dealing with different cases with quality trade facilitation. In every situation these rules and regulations guides the importers/ brokers in order to import goods to Maldives

The role of Maldives Customs Service is determined on those rules and regulations. Other than implementing our own rules and regulations, as an enforcement body we also have the responsibilities of enforcing rules and regulations of other legal bodies.

The rules and Regulations are the source of authority by which the institution governs itself. Policies, regulations and rules directly or substantially affect procedural or substantive rights and duties of individuals that interact with import of goods.

The rights and obligations of the Maldives Customs Service in operation for the enforcement are stated on Customs Act and rules of the operations mentioned on the Customs Act are defined in Customs Regulations.

Following are few extractions from the Maldives Customs Services Official web site

License Issuing Procedures

Although issuing Import/Export license is a mandate of Ministry of Economic Development, Maldives Customs Service is designated to issue Import license to the following parties for facilitate trade.

- Parties allowed to trade imported items (trade permit holders)

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Import Examination

Import goods to Maldives and goods which are under Customs control will be searched and inspected by Customs. Further, Customs will ensure that Goods Declaration and imported goods tallies and that no import prohibited items are included in the goods imported.

Customs has the discretionary power to search and inspection of goods imported into the Maldives by certain means for verification and this will be done in the presence of the owner or an appointee of the owner.

In the absence of the owner or an appointee of the owner if the said person refuse to make themselves present at the time of search and inspection Customs has the rights to conduct the search and inspection of goods.

Following are few extractions from the Maldives Customs Services Official web site

Duty Concessions & Allowances

The payment due to Customs will be exempted in accordance with the laws and regulation following a written permission of the president.

Customs Act does not affect the Government of the Maldives from acting as determined in relation to a party for whom the Government of the Maldives has discretion to exempt duty as provided for in another Act.

Customs Act does not affect the settlement of duty, with regard to items brought to Maldives under a regional or international treaty, or a bi-lateral agreement between the Government of the Maldives and a government of a foreign country, in accordance with such treaty or agreement.

In any of the above mentioned situations the importer / responsible person of the goods being imported must submit the letter from the relevant ministry / office granting the duty exemption along with Customs application form for duty exemption.

Following are few extractions from the Maldives Customs Services Official web site

Bonded Warehouse (BW)

Before shipments are released to be stored in Bonded Warehouses, Customs Officers will inspect to see if the shipment is consigned to the said Bonded Warehouse and also if the goods are in accordance with the permit issued by Ministry of Economic Development and Trade.

Following are few extractions from the Maldives Customs Services Official web site

Duty Payment

Export duty should be paid for export goods accordingly inclusive of any other documents required. (Eg: GSP,CO..)

Payments to Customs Should be made in Maldivian Rufiyaa or by a cheque drawn from Maldivian Rufiyya account. Where facilities are available, payments may also be made electronically.

The payment of export duty should be made to Customs within 15 (fifteen) days from the date of the assessment of the Goods Declaration.

If the duty payment is not made within the above mentioned period, the goods declaration will be cancelled. The goods declared in the cancelled Goods Declaration can be released for export after submission of a new Goods Declaration.

Following are few extractions from the Maldives Customs Services Official web site

Re-export

Release of Items for Re-export

Items that are stated in Article 118 of the Customs Regulation are the only items that can be imported for the purpose of re-exporting. The items must be owned by a foreign individual and must have an individual who is responsible for it locally.

The following documentation, processed and completed by Valuation and Documentation Section, should be submitted to Cargo Examination Section requesting for the release of goods for re-export.

At this great valuable opportunity I would like to float a concept idea for our fellow member states specially to our closest great neighbor, the big brother and the giant economy of the SAARC Region, The Republic Of India, that the Maldives being located in a strategic location in relation to Indian Ocean sea trade routes, an establishment of a Crude Oil Storage Facility and an Oil Refinery would definitely help Maldives and other neighboring countries to promote the Trans-border Business of Crude oil and Petroleum Products in the SAARC Region by distributing Petroleum Products to SAARC Countries and the islands in the Indian Ocean .

Indian Ocean Map



Maldives -Cochin & Colombo Map



➤ As can be seen in the above picture the distance from **Cochin** to Haa Alifu Atoll (Northern most tip of Maldives), Male' City and Addu City (Southernmost tip of Maldives) gives us three or more options of development of a **Crude Oil Storage Facility and an Oil Refinery** with numerous advantages such as :

- ✓ Close Proximity to Cochin and Colombo gives an option to charter hire a large Crude Oil Carrier to achieve a lower freight rate
- ✓ Flexibility of deep water throughout Maldives including inside the atolls (lagoon waters) giving 45-70 meters deep
- ✓ Security advantages on the establishment on remote islands
- ✓ An excellent network of Domestic and International flights and ships to SAARC countries and world's major airports and sea ports are connected respectively
- ✓ Dry docking facility for tankers and VLCCs at nearby ports such as Colombo, Cochin and other Indian Ports

A valuable concept with a good thought

- A valuable concept - India should think and make arrangements at diplomatic levels with the government of Maldives
- Besides of having the concept of establishing a Crude Oil Facility and an Oil Refinery, Cochin City being nearby having a well-established Oil Refinery “The BPCL Kochi Refinery” and the Cochin Port Oil Terminal may consider to sell Clean Petroleum Products (CPP) to Maldives
- In order to establish a good Oil sale / purchase agreement with Maldives, Cochin Port requires to provide a small Berth Facility arrangement specific to Maldivian oil tankers ranging from 1000 tons to 24000 tons
- The reason being existing Cochin Port oil berth facilities is unable to cater small oil tankers due to parallel body length of these small tankers being too small
- To my understanding the smallest tanker calling at Cochin should have a parallel body length of 90 meters
- So this is an important point to be considered by the Cochin Port

The Maldives needs Oil

- In 2018 Maldives imported approximately 522,000 MT of MGO
- State Trading Organization Plc {STO} holds 68% of market share
- In 2018 Maldives imported approximately 68,650 MT of ULG
- State Trading Organization Plc {STO} holds 64% of market share
- In 2018 Maldives imported approximately 136,339 MT of Jet Fuel
- Jet Fuel is imported by STO Plc only {100% market share}
- In 2019 there is a significant growth in demand of oil due to infrastructure development and increase in consumption by sea, land and air crafts

The Freight or the Premium Factor can be reduced

- The biggest challenge for the Maldives to reduce the cost on energy production is the higher freight rate
- As of now higher freight rate factor is due to long steaming distance from UAE to Male' / Singapore to Male'
- So it's a proven factor or evident from previous slides if Oil is imported from Cochin to Male' freight factor may be reduced by 3/4th

Renewable energy / Solar energy

- As of now Solar energy being used at a very small scale
- The results and benefits are significant and encouraged by the public evident from voluntarily set up solar panels throughout the Maldives
- The Government of the Maldives policy is to install 70% of the peak loads usage in the next 5 years

Lets create a thought, plan it and make it happening

We need a small thought on the “Promotion of Trans-Border Business of Crude Oil and Petroleum Products in the SAARC Region

- 1- Lets have a thought together today
- 2- Lets make a plan based on this thought
- 3- Lets make a feasibility on this plan
- 4- Lets approve this plan
- 5-Lets find the required funds
- 6- Lets observe and enjoy “Promotion of Trans-boarder Business of Crude Oil and Petroleum Products in the SAARC Region” happening

Thankyou SAARC Energy Centre & My Fellow Delegates



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