

Hambantota

Energy & Logistic Hub in South Asia



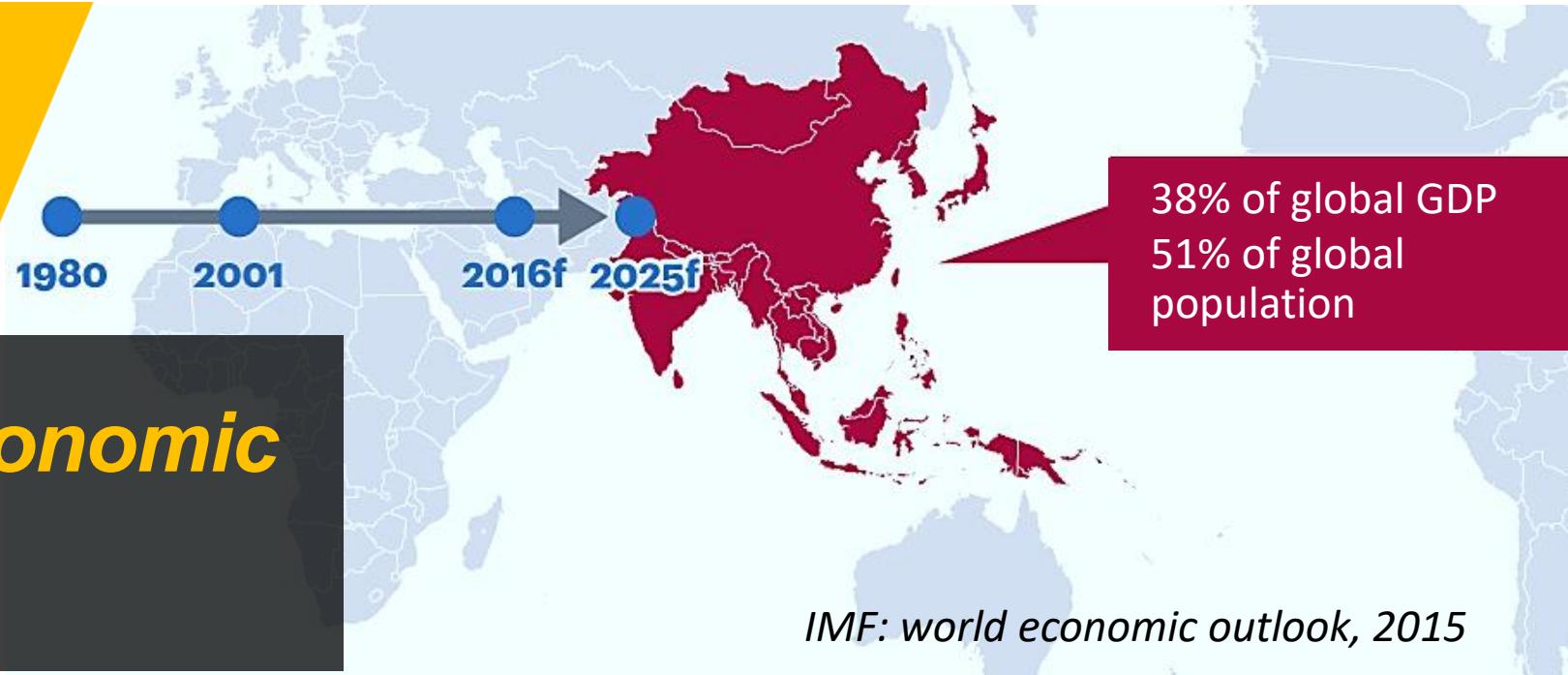
LOGISTICS FOR
SUPPLY CHAIN OPTIMISATION



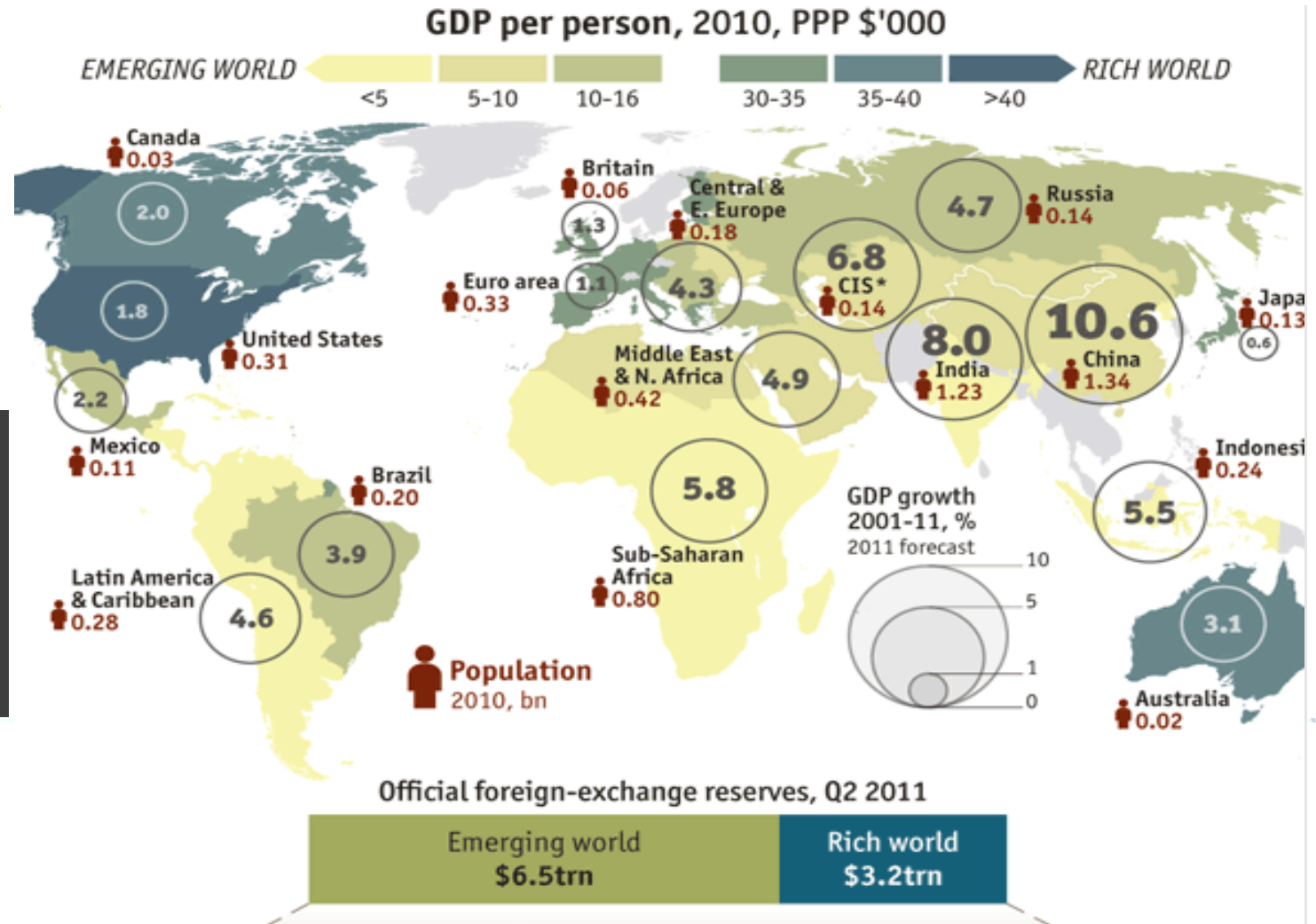
W K H Wegapitiya | Group Chairman – LAUGFS Holdings
Colombo International Logistics Conference | 1st August 2019



Shift in the Global Economic Center of Gravity



The Global Economy
is shifting from
the West to East



The Global Economy
is shifting from
the West to East

ASIA'S TWO GIANT CONSUMERS



CHINA

INDIA



• **POPULATION**

1,336 MILLION

1,189 MILLION



• **COAL**

3,976,117

801,030



• **OIL**

10,276

3,621



• **NATURAL GAS**

5,152

2076



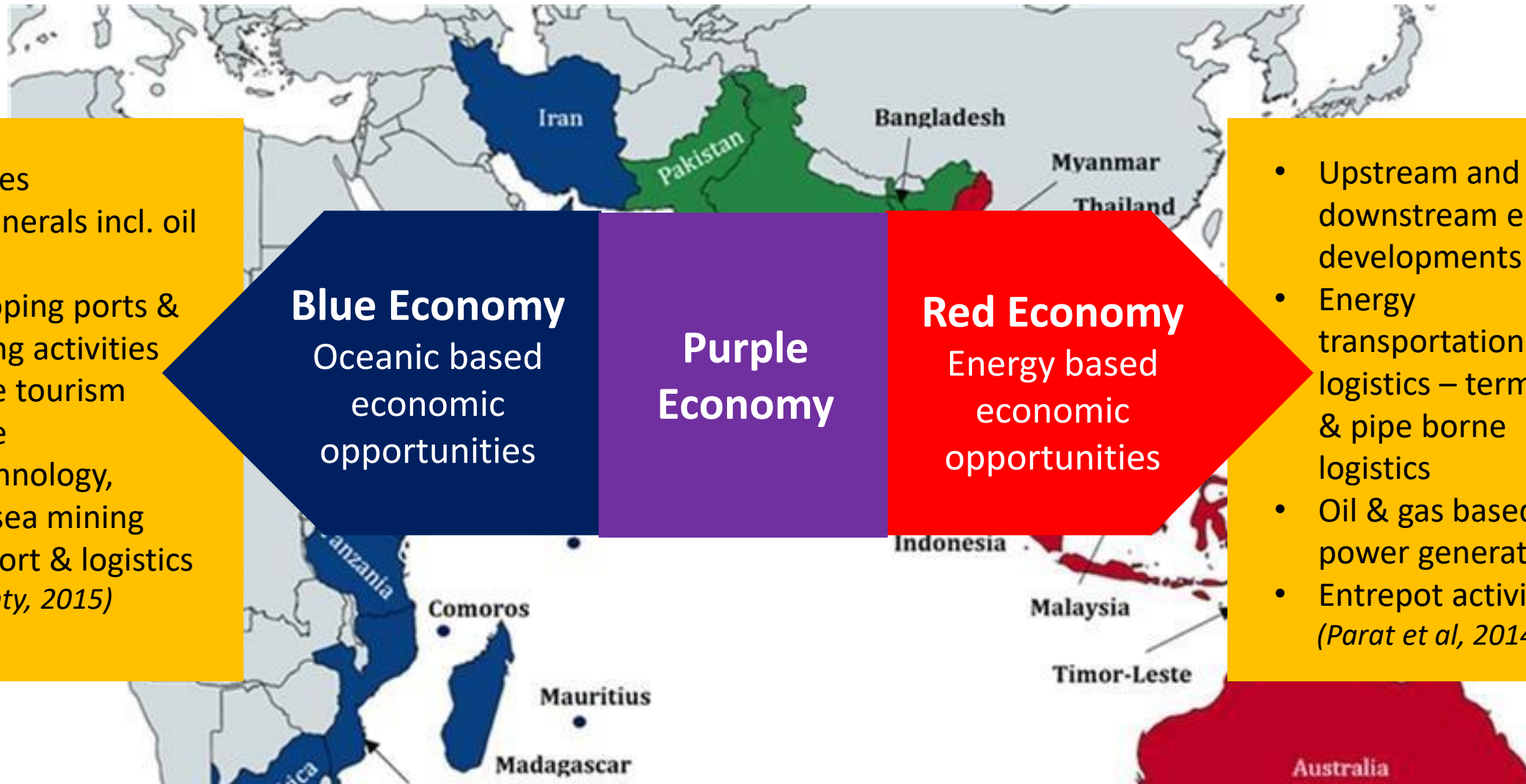
• **RENEWABLE ELECTRICITY**

797

162

- COAL CONSUMPTION IN THOUSAND SHORT TONS
- PETROLEUM CONSUMPTION IN THOUSAND BARRELS PER DAY
- NATURAL GAS CONSUMPTION IN BILLION CUBIC FEET
- RENEWABLE ELECTRICITY CONSUMPTION IN BILLION KILOWATT HOURS

(SOURCE: US ENERGY INFORMATION ADMINISTRATION, 2012)



- Fisheries
- Sea-minerals incl. oil & gas
- Developing ports & shipping activities
- Marine tourism
- Marine biotechnology,
- Deep-sea mining
- Transport & logistics
(Mohanty, 2015)

Blue Economy

Oceanic based economic opportunities

Purple Economy

Red Economy

Energy based economic opportunities

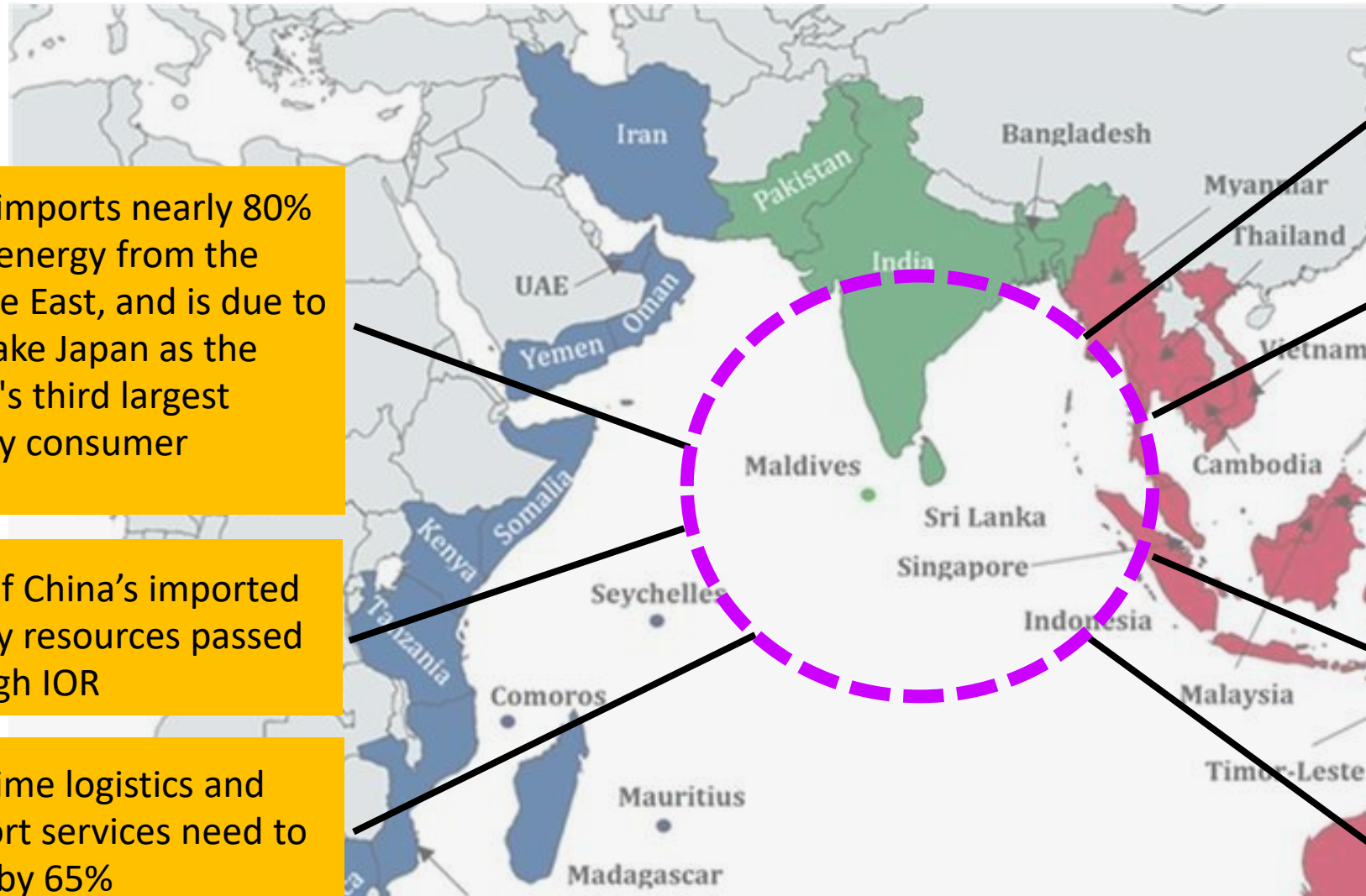
- Upstream and downstream energy developments
- Energy transportation & logistics – terminals & pipe borne logistics
- Oil & gas based power generations
- Entrepot activities
(Parat et al, 2014)

The Indian Ocean Rim
Is at the epicenter of this
Global Economic Shift



“No other region has the combined advantages of **Blue & Red** economic opportunities”

► Purple economy the IOR



India imports nearly 80% of its energy from the Middle East, and is due to overtake Japan as the world's third largest energy consumer

84% of China's imported energy resources passed through IOR

Maritime logistics and support services need to grow by 65%

Indo-China economic spillovers
 "One Belt, One Road"
 "Make in India"

India – China Geopolitical struggle
 India – 9 Oil & Gas infrastructure
 China – 11 Oil & Gas infrastructure

Kra Isthmus and changing maritime dynamics in Asia

IOR country's LPG demand will increase by 3 fold in 10 years (WLPGA)

***Sri Lanka's
competitiveness
in this Purple Economy***



- ▶ ***Ideal location for Blue and Red Economic activities***
- ▶ ***Nutracentral location & underutilized capacities***
 - *Maritime & logistic hub for energy, terminalling & break bulking, Entrepot activities, shipbuilding and repairing, supplies and services – bunkering, chandelling and crew services*
 - *Oil refining, petrochemical, processing and value adding of energy, safe stocks, trading, arbitrage and product swaps*
- ▶ ***Immediate Spill over benefits and Sharkunning strategy***

Hambantota

Uniquely positioned to harness these geo-economic opportunities



▶ Maritime & Logistic Gateway

70%

of the world's petroleum product traffic takes place in the IOR

Over 62%

of world LPG consumption is taking place in Asia Pacific region

Nearly 40%

of the world's offshore petroleum products is produced in IOR countries

2/3

of the world's oil shipments pass through IOR

Over 100,000

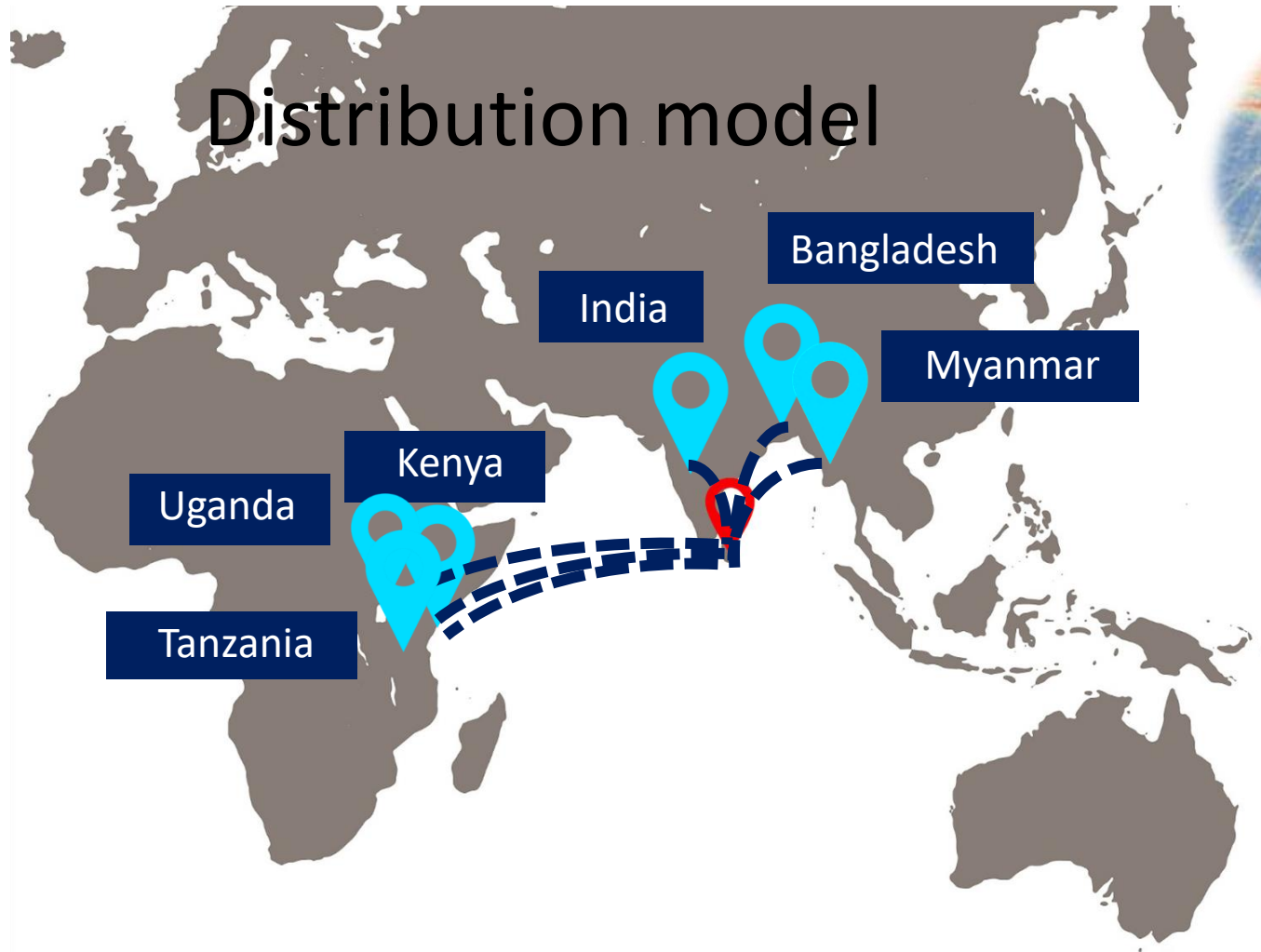
ships transit through IOR and 25% carry energy

36 million

barrels of oil trade through the entryways into and out of the IOR every day



► Ideal location for a Energy and logistic Hub in the IOR area



► Strategic proximity to fast Growing energy markets & key ports

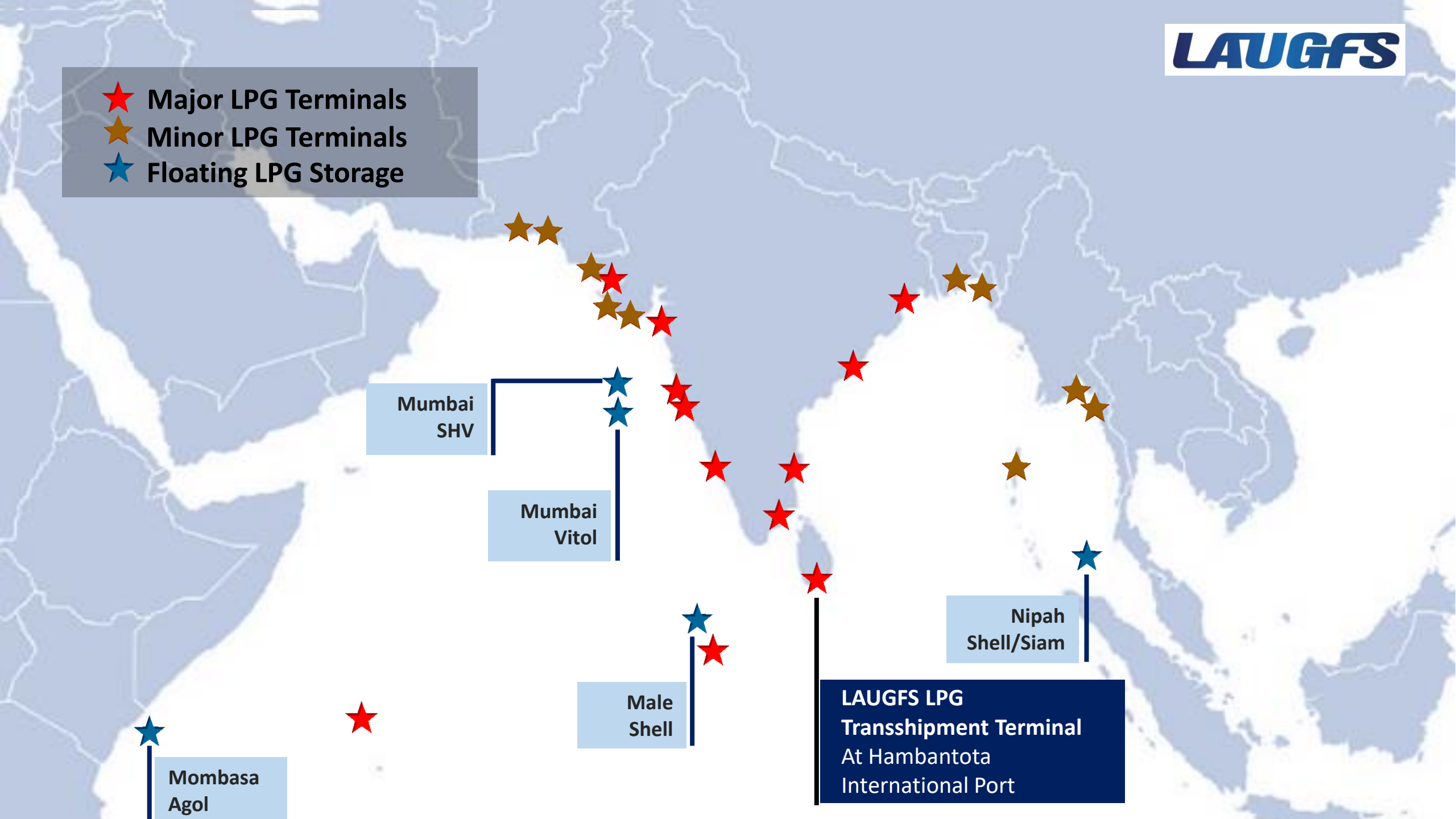


► Strategic proximity to fast Growing LPG markets



Country	LPG Market Size (Mn MT)			Distance dates
	2018	2030	Growth	
India	24.5	40.0	63%	1 - 4 days
Bangladesh	0.868	4.0	360%	6 days
Pakistan	1.285	2.253	75%	5 days
Myanmar	0.3	1.2	300%	4.5 days
Maldives	0.014	0.020	42%	2 day
Singapore	0.722	0.820	13.5%	7 days
Mauritius	0.80	1.12	40%	6 days
Kenya	0.220	0.50	127%	7 days

- ★ Major LPG Terminals
- ★ Minor LPG Terminals
- ★ Floating LPG Storage



Mumbai SHV

Mumbai Vitol

Mombasa Agol

Male Shell

Nipah Shell/Siam

**LAUGFS LPG
Transshipment Terminal
At Hambantota
International Port**

Competitive Port Infrastructure & Facilities

- **All weather Port** – no impact from the monsoon effect
- **Deep Port** - 19 meter draft which can accommodate VLGC's
- **Brand new berthing facilities** with pier-based unloading and loading arms



Competitive Port Infrastructure & Facilities

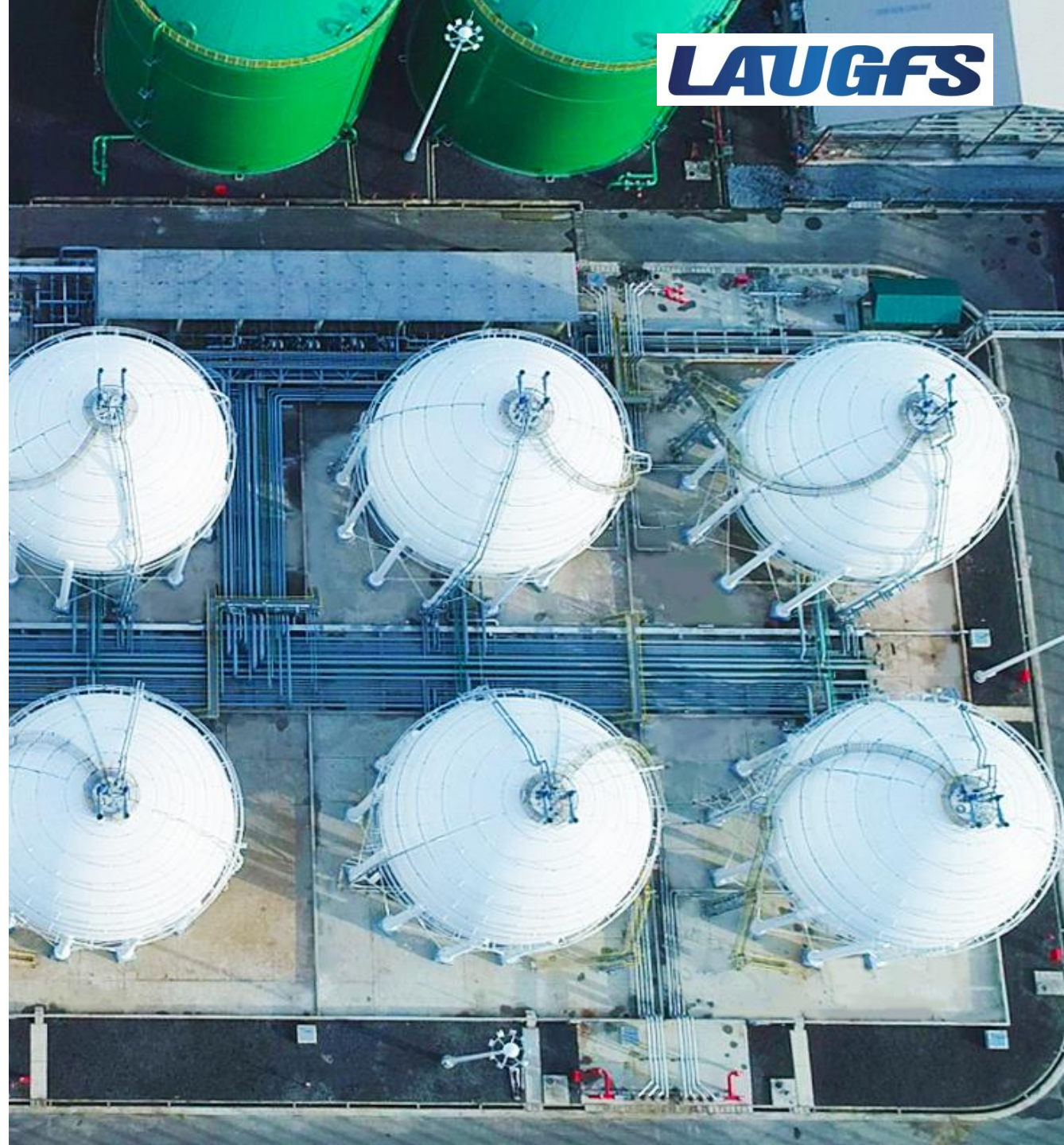
- **Dedicated berth** for energy handling
- **Free Port status** with many concessions
- Special investment concessions under BOI Hub status – **Lifetime tax holiday**
- **The most cost competitive location** for a hub operation



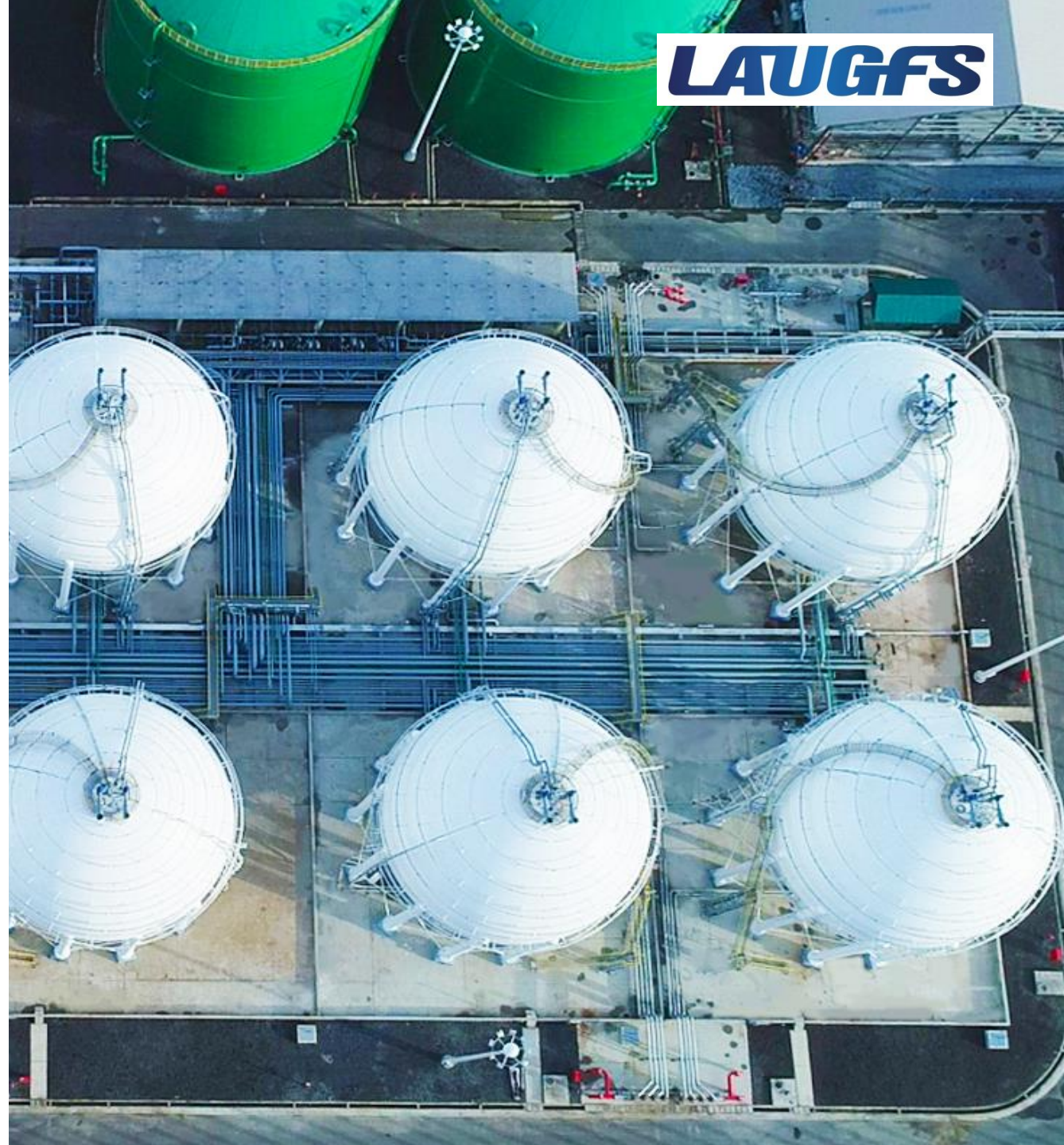
What this means for
Sri Lanka and the Region



- ▶ **Export Revenue Generation**
- ▶ **Open up entrepot trade through Sri Lanka**
- ▶ **Trigger coastal shipping services between Hambantota & Colombo**
- ▶ **Direct & indirect employment creation**
Maritime and energy related specialized employment



- ▶ **Cost Advantages**
through energy value chain
economics
- ▶ **Service
reliability**
- ▶ **Guaranteed
uninterrupted supply**
eliminate risk of energy
shortages
- ▶ **Just-in-time (JIT) ability**
Cost reduction by eliminating
storage requirements





***LAUGFS LPG Transshipment Terminal
& Integrated Value chain development***
How we have harnessed these
opportunities

Laugfs - Integrated Strategy



- Regional energy trading
- Supply chain Management
- Maritime and logistic support



- Own shipping fleet
- 20 ships by 2020
- Maritime Hub in Asia



- Cylinder manufacturing
- Technical services



- Largest LPG infrastructure in the IOR
- USD 80 million investment
- First Hub stated project in Hambantota
- 30,000 m³/ton storage
- 1.8 million m³/tons of LPG PA
- 6% of total export earning by 2019
- Creating the Energy hub- Purple Economy



Laugfs Gas Sri Lanka

- Growing Domestic market
- Energy efficiency
- Local value creation



- Laugfs Gas Bangladesh
- 160 m population
- Less than 5% market



Laugfs Gas Myanmar

- Regional presence
- Multinational company
- Integrated energy solution



Thank you.

