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Top News - Oil

China raises fuel export quotas to spur refinery output

China has raised its first batch of 2023 export quotas for refined oil products by nearly half versus a year ago, China-based consultancies said on Tuesday, to spur refinery output, capture strong export margins and adapt to slow domestic demand.

The quotas could encourage refiners at the world's top crude importer to process more crude and keep fuel exports at record levels in the first half, mitigating the impact of possible cuts in Russian diesel exports when European Union sanctions take effect in February.

The government has released 18.99 million tonnes of quotas to cover mostly gasoline, diesel and jet fuel exports, up 46% versus 13 million tonnes allotted a year earlier, reported by consultancies JLC and Longzhong, both of which have closely tracked Beijing's fuel quota policy in recent years.

Of the total, state-run China Petrochemical Corp (Sinopec), China National Petroleum Corp, China National Offshore Oil Company, Sinochem Group, as well as privately-controlled Zhejiang Petrochemical Corp, were granted a total of 18.73 million tonnes of permits, the agencies said.

A refinery subsidiary of state defence conglomerate Norinco and China National Aviation Fuel Company was allotted the remainder.

The Ministry of Commerce did not respond to a request for comment.

The increased quotas followed a sizable issuance of 13.25 million tonnes in September as the government sought to shore up its economy by encouraging refiners to step up operations and to benefit from robust export profits.

They could prompt state refiners to maintain relatively high operation rates and allow the newly started refineries to ramp up production, Mia Geng, an analyst with FGE, said.

China's spare refining capacity could indirectly mitigate the deficit from the European Union's ban of Russian diesel imports from February, Citi analysts said in a note.

"We believe there were ample quotas available to keep Chinese exports at record-high level into first half of 2023, although a gradual decline seems likely from second half on a pickup in mobility and jet fuel demand on China reopening," they said.

The bigger quotas also reflected weak domestic fuel consumption as a surge in COVID-19 infections, following the relaxation of virus control measures, crimped travel and economic activity, a trader said.

"It will take a while before consumption comes back given the current COVID situation," the trader said.

China also released 8 million tonnes of low-sulphur fuel oil export quotas in the first batch for 2023, which compared with 6.5 million tonnes a year earlier, the consultancies reported.

Under a longer-term goal to curb carbon emissions, authorities had intended to reduced excessive refinery processing and thus fuel exports, but a drastic economic slowdown over 2022 forced the government to change its fuel trade policy towards lifting sagging merchandise exports.

Exports of gasoline and diesel, in particular, have rallied in recent months as refiners dashed to use up export quotas and thin domestic inventories while export margins remained attractive.

"An increase in export quotas will help alleviate pressure from high inventories as a result of a sharp decrease in December demand," said senior oil analyst Daphne Ho at Wood Mackenzie.

COLUMN-Bullish oil investors look beyond China's COVID wave: Kemp

Signs of bullishness returned to the petroleum market just before the end of the year, with investors increasing their futures and options positions by 103 million barrels in the final two weeks of 2022.

Hedge funds and other money managers increased their combined position in the six most important petroleum contracts by 59 million barrels in the seven days ending Dec. 27.

Funds had already increased their combined position by 44 million barrels over the seven days ending on Dec. 20, according to data from regulators and exchanges.

The late surge of purchasing reverses some of the 236 million barrels of sales reported over the previous five weeks.

China's economy and internal petroleum consumption is being severely disrupted by the coronavirus epidemic after the government ended its suppression strategy.

But rate of uncontrolled transmission is so rapid the epidemic's main wave is likely to be over by late March and certainly by the start of April.

Front-month Brent futures are already trading for March 2023 while WTI futures are trading for deliveries February 2023 when the peak is likely to be over.

Positions and prices have started to rise in anticipation of stronger consumption once the coronavirus wave has passed through China's population.
By Dec. 27, investors had boosted their combined position to 445 million barrels (23rd percentile for all weeks since 2013) up from 343 million (11th percentile) on Dec. 13.
Crude positions had risen to 331 million barrels (14th percentile) up from a low of 253 million (5th percentile) on Dec. 13.
Even after the recent burst of buying, however, crude positions remain low compared with refined products, where the combined position is in the 50th percentile.
The oil market outlook remains mixed, as it has for the last four months.
On the bullish side, inventories of refined fuels, especially diesel, are below pre-pandemic averages and China's re-opening is likely to increase demand for both fuels and crude.
Also on the bullish side, the U.S. shale revolution is largely spent, with a relatively small increase in output in 2022 and an even smaller increase expected in 2023.
But on the bearish side, much of the global economy is already in recession or will likely enter a downturn within the next few months, which will curb fuel demand, especially for diesel.
The difference between bullish and bearish investors is essentially about timing of the oil market cycle.
The net balance is likely negative in the very short to medium term, and bullish in the medium to longer-term, but the timing of the turning point and the depth of any slump in the first phase is uncertain.
Under a bullish scenario, the turning point could come as early as March 2023, with the end of the coronavirus wave in China.
Under a more bearish scenario, the turning point could be pushed out to late 2023 or even early 2024, when the global economy passes the low point in the macroeconomic cycle.

Top News - Agriculture

Top palm oil buyer India's Dec imports jump 94% y/y on discounts – dealers
India's palm oil imports in December jumped 94% from a year earlier to a record high for the month as palm oil's higher discount to rival vegetable oils led refiners to raise purchases during the seasonally weak winter period, five dealers said.
Higher imports by India, the world's biggest palm oil buyer, would help top producers Indonesia and Malaysia cut their inventories and support benchmark palm oil prices, which are trading near their highest levels in five weeks.
India's palm oil imports reached 1.1 million tonnes last month, the average estimate from five dealers with trading firms showed. The imports for December were slightly lower than November purchases of 1.14 million tonnes and compare with an all-time high of 1.26 million tonnes in September 2021.
India's palm oil imports usually moderate during winter months as the tropical oil solidifies at lower temperatures.
"The price spread between palm oil and soyoil was much wider and day by day it is getting squeezed. But still the gap is quite high compared to normal market trend," said Rajesh Patel, managing partner at GGN Research.
For December shipments, buyers mostly placed orders in November. That was when palm oil was as high as $460 per tonne cheaper than rival soyoil and sunflower oil as Indonesia was trying to reduce its stockpile, dealers said.
India's palm oil imports for the December quarter jumped 16% from the September quarter to a record 3.1 million tonnes, dealers estimate.
Palm oil's discounts to rival oils have now come down to around $300 per tonne, but still palm oil is the preferred choice of Indian buyers, said Sandeep Bajoria, chief executive of Sunvin Group, a vegetable oil brokerage and consultancy firm.
India's palm oil imports in January could come down to around 850,000 tonnes, said a Mumbai-based dealer with a global trade house.
The Solvent Extractors' Association of India, a trade body based in Mumbai, is likely to publish its December import data in the middle of January.
Soyoil imports in December fell 36% from a year earlier to 252,000 tonnes, while those of sunflower oil dropped 26% to 190,000 tonnes, the dealers said.
India buys palm oil mainly from Indonesia, Malaysia and Thailand, while it imports soyoil and sunflower oil from Argentina, Brazil, Russia and Ukraine.

COLUMN-Argentina's soy, corn may hinge on La Nina's exit after dry 2022 -Braun
Recent rainfall across Argentina, the world's leading soybean meal exporter and key corn supplier, has been the scarcest in over three decades, keeping the pressure on struggling crops.
Argentina's soybeans and corn are still in the earlier stages of their seasons, behind normal development as

the La Nina-induced drought slowed planting. This delay could turn favorable if the dry pattern permanently broke, but dryness is forecast to persist for at least the next two weeks.

Parts of the grain belt have received decent precipitation within the last several days with some areas totaling close to 2 inches (51 mm) over the last two weeks. For comparison, average rainfall in January, the grain belt's wettest month of the year, is around 4.7 inches (119 mm). But Argentina is starting in a significant moisture hole given that La Nina, the cool phase of the equatorial Pacific Ocean, is hanging around for a third consecutive season. The last third of 2022 was the driest in at least 35 years, about 44% below normal and 34% drier than the same period last year.

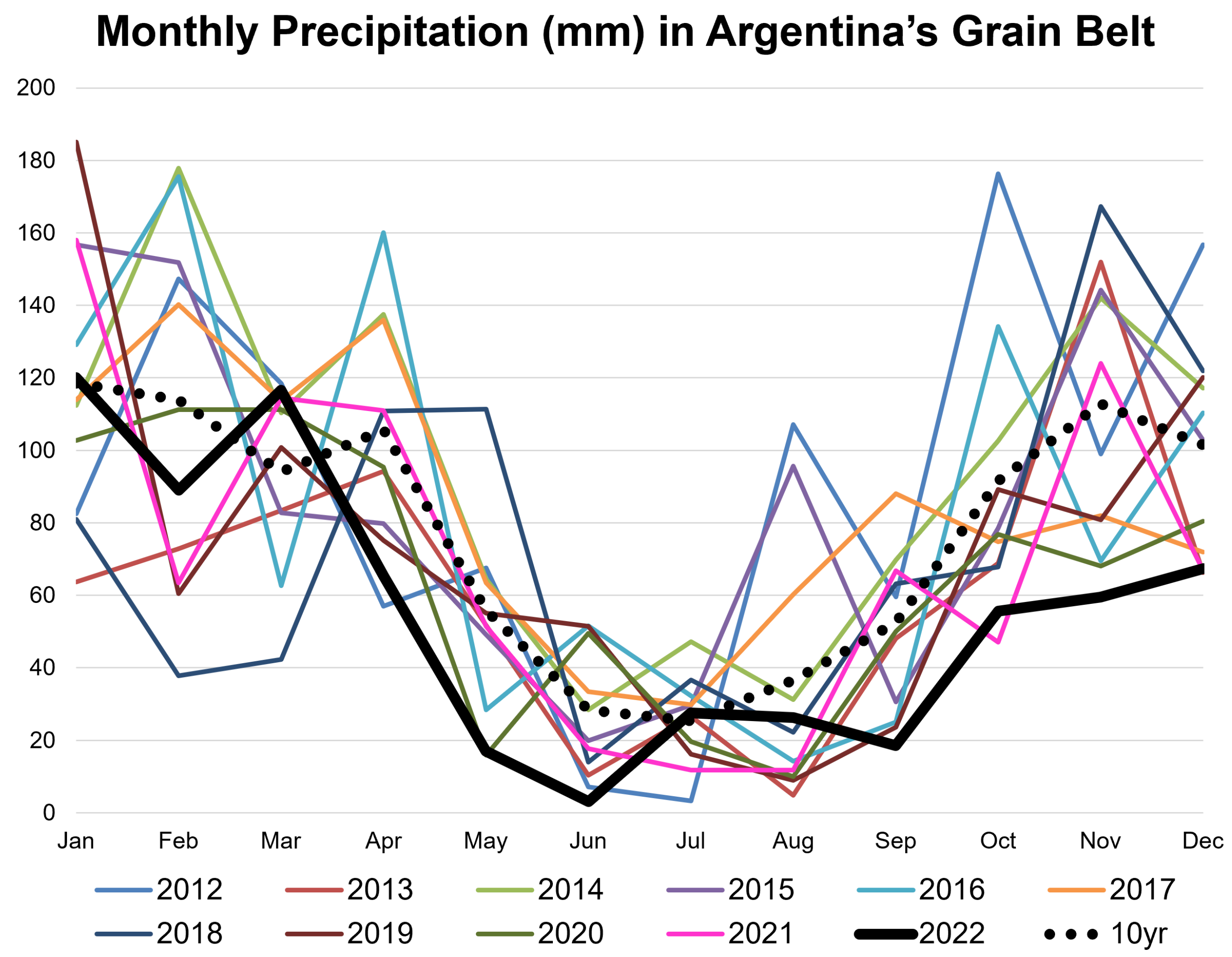
Drought and heat cut Argentina's 2022 soy and corn yields to four-year lows, but the crops are in worse shape now. However, many industry forecasts, including those from the U.S. government, expect better soy and corn yields this year versus last.

According to the Buenos Aires Grains Exchange as of last Thursday, some 28% of Argentina's soybeans were in fair or bad condition, up from 25% a week earlier. Only 10% was good or excellent, up from 12%. That compares with 57% good or excellent and 8% fair or bad in the same week last year.

For corn, 28% was fair or bad last week, up from 26% a week earlier and well above the year-ago 8%. Good or excellent corn totaled 15%, unchanged on the week but much worse than 58% last year.

Those ratings may not account for the most recent rainfall, but any improvement in this week's conditions could soon deteriorate due to the predicted dry and warm weather combination through mid-month.

Chart of the Day



Data source: Refinitiv Agriculture Weather Dashboard

@kannbwx

GOODBYE LA NINA?
The calendar year of 2022 was the driest in Argentina's grain belt since 2008, which started with a strong La Nina that had begun in mid-2007. A weak La Nina episode repeated in late 2008 through early 2009, and Argentina's 2009 soybean harvest was terrible, likely the worst on record.
Weather will matter for Argentina's soy and corn through at least March given the later development. Early last month, U.S. government forecasters gave La Nina a 50% chance of persisting through the January-March period, dropping to 26% in February-April. The forecast will be updated next Thursday.
La Nina has not yet officially loosened its grip, but whether it does in the next several weeks could be the difference between OK and horrible crops for Argentina. Although uncommon, it is not unprecedented for La Nina conditions to fade over a period as short as three or four weeks.
If relief does not arrive in time for Argentina's 2023 harvest, there may be hope for 2024. After the awful 2009 showing, El Nino developed in mid-2009, bringing plentiful moisture for the successful 2010 harvest. Additionally, there have been no quadruple La Nina events since at least 1950.

Top News - Metals

Indonesia's Antam targets H2 2023 launch for ferronickel plant
Indonesian state miner Aneka Tambang plans to start operations at its new ferronickel plant on the island of Halmahera in the second half of 2023, the company said, after years of delays due to power supply issues.
The company had initially planned to launch operations at the plant in East Halmahera in 2019.
Antam signed a deal with the state utility company in March last year to build a power plant and the first phase of power generation had been completed in December with a 15 megawatt capacity, Antam said in a statement on Tuesday.
The second phase of the power plant, with 75 MW capacity, is expected to be completed in the first quarter of this year.
"In line with the progress of the power procurement process and completion phase of plant construction, Haltim Ferronickel Plant can start to operate in the second semester of 2023," Dolok Robert Silaban, an Antam director, said in the statement.
The ferronickel plant has an annual capacity of 13,500 tonnes and would increase Antam's overall ferronickel production capacity to 40,500 tonnes per year.

ANALYSIS-Panama, First Quantum harden battle lines over key copper mine
Panama and First Quantum Minerals are hardening battle lines in a dispute over how much tax the Canadian miner should pay on its concession for the Central American country's only major copper mine in operation, a key asset for both parties.
First Quantum's Chief Executive Tristan Pascall flew to Panama over Christmas and met with government officials for talks. However, no agreement was forthcoming, prompting the two sides to raise the stakes to protect their interests in the mine, known as Cobre Panama.
The dispute, which began at the end of 2021, has become a litmus test of Panama's ability to remain attractive to business even as the government seeks to reduce inequality by reviewing longterm deals that many analysts regard as too generous to business.
"Cobre Panama is the only metal mine operating in the country and many foreign companies started operations in Panama with its arrival. What happens will have a huge impact that seems to have not been properly weighed by both parties," said Zorel Morales, director of Panama's mining chamber.
Failure to reach a deal could spook foreign investors at a time when Panama is looking to develop three other copper deposits that could bring in investments similar to Cobre Panama's, said Morales.
Panama's demand that the company pay at least $375 million in annual tax has been at the center of the dispute, and during last week's talks First Quantum raised points it wanted included in its contract after a Dec. 14 deadline to reach agreement expired, according to a source linked to the government.
Exclusive rights to explore other minerals, enlarge the area of its concession, a $1 billion tax credit for its investment and a demand that no laws enacted after the new contract affect its operations were among the issues raised, the source said.
The company declined to comment on details of the negotiations. A spokesperson for the government did not reply to a request for comment.
Panamanian President Laurentino Cortizo said on Monday the government had presented a final contract offer to the company.
On Tuesday, lawmakers voted to summon the country's commerce and industry minister and environment minister to answer questions on the company, covering operating permits, royalties, sanctions for environmental offences and the progress of negotiations on the new contract.

The company did not immediately reply to a request for comment.
First Quantum paid $61 million in royalties to Panama's government in 2021, while the Cobre Panama mine posted sales revenues of $3.2 billion for the year, company data showed.
Meanwhile, other businesses circle the mine, which started production in 2019. Government records show at least two requests are under review to explore gold and other metals near First Quantum's concession.
Both parties have publicly said they want to strike a deal, but their failure to do so before the latest government deadline expired prompted Panama to order a halt to the mine's operations and the company to start arbitration proceedings.

LUCRATIVE ASSET
In 2021, Cobre Panama represented more than half of First Quantum's earnings before interest, tax depreciation and amortization (EBITDA). It also accounts for about 3.5% of Panama's gross domestic product.
The firm has invested over $10 billion in the mine and paid only nominal dividends to shareholders during its initial years, according to company data.
Cobre Panama represents about 40,000 direct and indirect jobs, interacts with some 1,800 suppliers and is the country's biggest private investment, according to business adviser Rene Quevedo, from consultancy GS&S Consultores.
Mining was the country's most dynamic sector during 2021, more than doubling in output. Fitch Ratings revised Panama's credit outlook to stable from negative in February, highlighting booming copper exports.
The mining row could hamper government plans as Cortizo wants to pump some $190 million from the miner's annual payments into Panama's national pension scheme, which risks running out of funds in 2024, according to the International Labor Organization.
"If there's no agreement, the damage would be serious," Quevedo said.
The company has said the cost of halting operations remains "uncertain". Cortizo's government has not disclosed any assessment of how the dispute could affect Panama.
Panama's government says it is prepared to face all legal scenarios to defend the national interest.
"It's a Panama Canal type of negotiation," said Hernan Arboleda, director of public policies at the economy and finance ministry, pointing to the country's experience in negotiating with the United States to secure control of its famous waterway.
"Panama can demonstrate to international authorities that this is not an equitable contract," he told Reuters.

Top News - Carbon & Power

EXCLUSIVE-Tokyo Gas unit nears $4.6 billion deal to buy U.S. natgas producer -sources
A unit of Tokyo Gas Co Ltd is in advanced talks to buy U.S. natural gas producer Rockcliff Energy from private equity firm Quantum Energy Partners for about $4.6 billion, including debt, people familiar with the matter said on Tuesday.
If consummated, the deal would be the latest move by a Japanese entity to secure gas in jurisdictions perceived as friendly, the importance of which has risen for the import-dependent Asian nation after supply markets for the commodity were roiled by Russia's invasion of Ukraine.
The all-cash deal with Houston-based TG Natural Resources, which is 70% owned by the Japanese energy firm, is set to be announced this month, the sources said, requesting anonymity as the discussions are confidential.
Castleton Commodities International (CCI) owns the rest of TG Natural Resources.
TG Natural Resources is arranging funding from several financing sources to support the transaction, including banks and private credit providers, added the sources, who cautioned that no deal was guaranteed and the talks could end without an agreement.
Quantum and CCI declined to comment. Rockcliff and TG Natural Resources did not immediately respond to requests for comment. Tokyo Gas was not immediately available to comment.
Rockcliff produces more than 1 billion cubic feet per day of natural gas from the Haynesville shale formation, which stretches across Louisiana and East Texas. Quantum originally backed the Rockcliff management team with a $350 million investment in 2015.
Buying Rockcliff would significantly increase TG Natural Resources' operations, with the company producing around 330 net million cubic feet per day as of June 2022 from the Haynesville formation, according to its website.
Japan's biggest city gas supplier is in the midst of a portfolio reshuffle aimed at moving resources to growth areas. In October, Tokyo Gas agreed to sell its stakes in a portfolio of four Australian liquefied natural gas (LNG) projects for $2.15 billion to a unit of U.S. investment firm EIG.
Russia's invasion of Ukraine has cut gas supply flows to Europe and led European nations to import record amounts of LNG cargoes, straining global supplies and elevating prices.

Resource-poor Japan has been working to diversify from Russia's Sakhalin project, which accounts for 9% of Japan's total LNG imports of 74.3 million tonnes per year. Japanese companies inked several deals on Dec 28 to receive LNG supplies, with a preliminary agreement lasting up to 10 years with Oman LNG and a 20-year deal with U.S.-based Venture Global.
In 2021, Japan imported 7.1 million tonnes of LNG from the United States, accounting for 9.5% of its total imports.
Tokyo Gas shares were down 5.07% at the midday break in Tokyo trading.

Bulgaria signs long-term gas deal with Turkey
Bulgaria's state gas company Bulgargaz on Tuesday signed a long-term deal with Turkish state gas firm Botas, giving it access to neighbouring Turkey's gas network and liquefied natural gas (LNG) terminals to help bring in supplies.
Bulgaria was almost fully dependent on Russian gas, but is seeking alternatives after Moscow cut off deliveries in April over Sofia's refusal to pay in roubles.
Under the new 13-year agreement, Bulgargaz would be able to use Turkey's LNG terminals for cargo shipments, which would be transported via Botas's gas network to Bulgaria.
"With this agreement we are securing the opportunity to buy gas from all global producers and offload it in Turkey, which best suits Bulgaria logistically," Bulgaria's interim Energy Minister Rossen Hristov said.
His Turkish counterpart Fatih Donmez said the agreement would allow Bulgaria to transport about 1.5 billion cubic meters (bcm) of gas a year and would help increase security of supplies in southeastern Europe.
Hristov has said Bulgaria wants to book capacity of about 1 bcm of gas per year at Turkish LNG terminals and seal import deals with European and U.S LNG producers.
Bookings for 2023 will be less, because Bulgargaz has already won tenders for slots at Greek LNG terminal Revithoussa for several months.
Bulgaria currently covers about a third of its annual gas needs by importing 1 bcm of Azeri gas, and contracts traders to supply it with the rest through Greece.
Energy expert and former Bulgarian ambassador to Moscow Ilian Vassilev said booking the new capacity would provide alternatives to the busy Revithoussa terminal, but warned Bulgaria could end up importing masked Russian gas if it also opted to buy gas from Botas.
Turkey imports Russian gas and Moscow has proposed setting up a hub for Russian gas in Turkey, which in theory could allow Moscow to mask its exports with fuel from other sources.
Hristov has said Bulgaria cannot control what gas will enter Bulgaria, but that Sofia would make sure it signs deals for LNG deliveries that are not from Russia.

Top News - Dry Freight

Indian power plants should be compensated for importing coal -regulator
Indian power plants that rely on imported coal should be fully compensated for supplying electricity demand under forced circumstances, the country's power regulator said on Tuesday.
Power tariffs for imported coal-based plants should cover their costs as well as a "reasonable profit margin," the Central Electricity Regulatory Commission (CERC) said in an order dated Jan. 3.
The order was related to Tata Power Co Ltd approaching the CERC against the tariff fixed by the power ministry after a forced directive last year to keep operating to avert a power crisis.
The CERC order also said that the tariff fixed by the power ministry was for an interim period.
In May last year, India invoked an emergency clause in the Electricity Act to ask non-operational imported coal-based plants, with a combined capacity of about 17 gigawatts, to resume functioning to meet high electricity demand.
The plants had been shut due to higher international coal prices.

EU 2022/23 soybean imports reach 5.52 mln T, down 16% year on year
European Union soybean imports in the 2022/23 season that started in July had reached 5.52 million tonnes by Jan. 1, down almost 16% from 6.55 million by the same week in 2021/22, data published by the European Commission showed on Tuesday.
EU rapeseed imports so far in the 2022/23 season had reached 3.73 million tonnes, nearly 38% above the 2.71 million tonnes a year earlier, the data showed.
Soymeal imports over the same period totalled 8.04 million tonnes, down 3% from 8.29 million tonnes a year earlier, while palm oil imports stood at 1.71 million tonnes, down 40% from 2.86 million tonnes.
The Commission listed as follows the five largest supplier countries to the EU so far in the 2022/23 season for soybeans, rapeseed and soymeal, compared with its previous publication two weeks ago and against the same point last season.

MARKET MONITOR as of 07:49 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$76.51 / bbl	-0.55%	-4.67%
NYMEX RBOB Gasoline	$2.34 / gallon	-1.04%	-5.53%
ICE Gas Oil	$873.50 / tonne	-2.94%	-5.16%
NYMEX Natural Gas	$4.00 / mmBtu	0.18%	-10.73%
Spot Gold	$1,855.58 / ounce	0.87%	1.71%
TRPC coal API 2 / Dec, 23	-	-	-
Carbon ECX EUA / Dec, 24	€87.07 / tonne	-0.56%	-1.06%
Dutch gas day-ahead (Pre. close)	€71.81 / Mwh	-4.98%	-
CBOT Corn	$6.71 / bushel	0.11%	-1.07%
CBOT Wheat	$7.75 / bushel	-0.10%	-2.08%
Malaysia Palm Oil (3M)	RM4,164 / tonne	-2.09%	-0.24%
Index (Total Return)	**Close 03 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	293.26	-2.68%	-
Rogers International	28.70	0.63%	-
U.S. Stocks - Dow	33,136.37	-0.03%	-
U.S. Dollar Index	104.52	0.96%	-
U.S. Bond Index (DJ)	394.41	0.50%	-

Picture of the Day

The spot where a floating storage and regasification unit will be set up is seen in front of the port city of Piombino, Italy. REUTERS/Jennifer Lorenzini

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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Refinitiv
3 Times Square, New York, NY 10036

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