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Top News - Oil

China's oil refinery runs fall for first year since 2001

China's oil refinery throughput in 2022 fell 3.4% from a year earlier, its first annual decline since 2001, as China's rigid COVID-19 controls took a toll on the economy and fuel consumption. Refiners processed 675.9 million tonnes of crude oil last year, data from the National Bureau of Statistics (NBS) showed on Tuesday, or about 13.5 million barrels per day (bpd). In 2001 processing slipped 0.3% from the prior year, NBS records showed.

Crude throughput in December rose 2.5% from the same month a year earlier to 59.88 million tonnes, the NBS reported, or 14.1 million bpd, the second-highest amount of 2022 on a daily basis as refiners ramped up production to use up fuel export quotas.

This is just down from 14.5 million bpd in November and the record of 14.8 million bpd in June 2021.

Following eight months of consecutive year-on-year declines between January and August, refinery processing began a rebound in September as the government shifted its fuel trade policy by issuing a large set of quotas to spur exports.

Fourth-quarter refined fuel exports, including diesel, gasoline, aviation fuel and marine fuel oil, surged 61% over a year-ago period to 18.3 million tonnes.

The start-up of PetroChina's new 200,000-bpd crude unit in Guangdong and Shenghong Petrochemical's 320,000-bpd plant in Jiangsu also helped support run levels during the last few months of 2022.

NBS data also showed natural gas production in December gained 6.5% from a year earlier to 20.4 billion cubic metres (bcm), a monthly record,as state oil majors stepped up drilling to supply winter heating demand.

Output for 2022 rose 6.4% to a yearly record of 217.8 bcm, the sixth year that annual production has risen by more than 10 bcm and providing a supply cushion as China cut back on expensive purchases of liquefied natural gas. Crude oil production remained firmly above the 4 million bpd mark, a level regarded by the state-dominated sector as strategic to ensure domestic supply security, as companies stepped up developing more challenging reservoirs.

Last year's output was up 2.9% from 2021 at 204.67 million tonnes, or 4.1 million bpd, with December output up 2.5% on the year at 16.87 million tonnes.

Europe boosts Russian diesel buying ahead of ban set to rock market

European traders are rushing to fill tanks with Russian diesel as the clock runs down on a Feb. 5 European ban expected to tighten supplies, redraw global shipping routes and increase price volatility.

The ban is likely to create a diesel supply shortfall that Europe hopes to fill with Chinese fuel, some of which will be produced from Russian crude.

China has raised its first batch of 2023 export quotas for refined oil products by nearly half from a year ago.

Its diesel exports, likely to make up most of the quotas, could reach 400,000-600,000 bpd in January-June, said Mark Williams, research director of short-term oils at consultancy Wood Mackenzie.

"But without Chinese exports pushing swing barrels westward, Europe is unlikely to replace the 0.5 million bpd loss in Russian diesel exports come the embargo," Energy Aspects analysts said.

IMPORT RUSH

European diesel imports from Russia stand at 770,000 barrels per day (bpd) so far this month, the highest since March last year, according to energy analytics firm Vortexa.

"European buyers are rushing in to import as much as they can ahead of the ban," said Rohit Rathod, senior oil market analyst at Vortexa.

Russia has long been the main diesel supplier for Europe, where refineries do not produce enough to meet domestic demand from its large diesel car fleet.

Even as governments and companies sought to sever economic ties with Russia after it invaded Ukraine, Europe last year relied on Russia for nearly half of its imports of diesel, known as middle distillates, Refinitiv data shows.

An EU ban on Russian crude imports that took effect in December will be broadened to include refined fuels from Feb. 5.

It is expected to bring an abrupt change in trade flows and will come at a cost.

WoodMac expects diesel margins to crude to average $38/bbl in January-June, more than double the 2018-22 six-month average when compared with Refinitiv Eikon data.

"The high price of diesel will be maintained due to complex logistics and shipping costs. That complexity, which is consequently reducing market liquidity, is likely to keep refining margins on diesel up in the same way as we have seen in 2022," said Rob Turner, sector leader for Energy and Resources at PwC UK.

Europe can no longer rely on blending Russian middle distillates, on upgrading and desulphurising off-spec

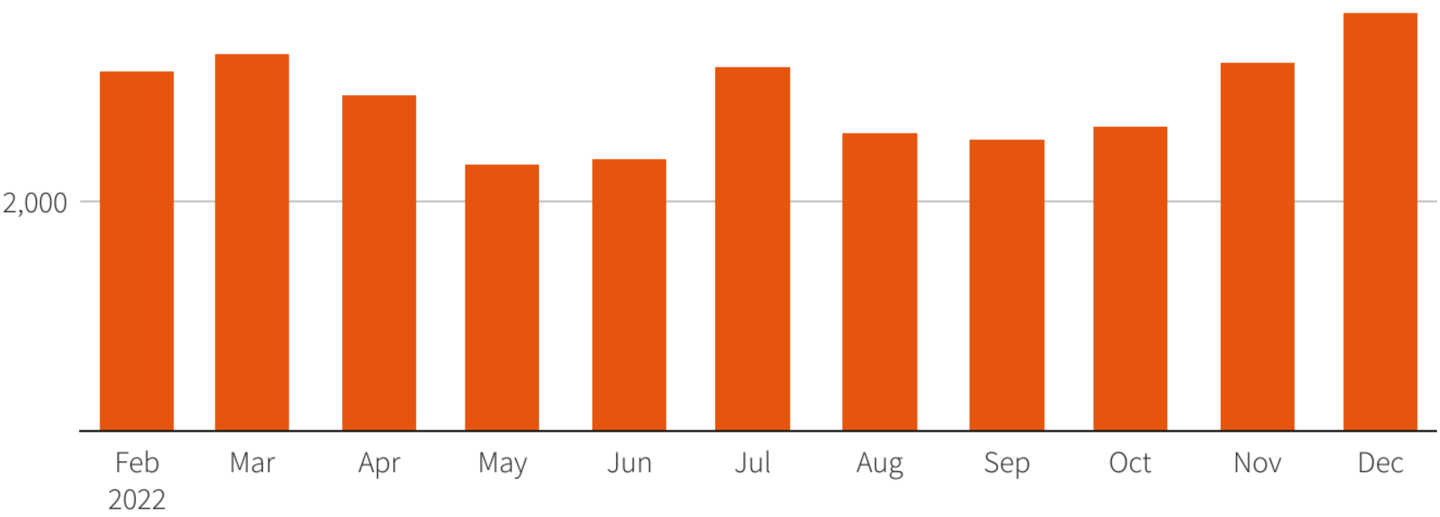
Russian grades, or on using diesel-rich Urals crude in the refining system as it did before the conflict, Turner noted.
Traders have rushed to stock diesel ahead of the ban, with regional inventories rising to their highest since October 2021 in the week to Jan. 12, data from Dutch consultancy Insights Global showed.
Stocks are expected to drop after the ban kicks in, said Energy Aspects.

GLOBAL REROUTING
Some of the world's largest tankers, with a capacity of 2 million barrels of oil, have been chartered in recent months to import diesel into Europe from Asia and the Middle East.
However, shipping fuel from Russia into northwest Europe typically takes a week while cargoes from the East take up to 8 weeks on average, leading to higher freight costs.
Latvia, which shares a border with Russia, imported its first cargo of diesel from China this month in a sign of the redrawing of trade routes.
Demand for refined products tankers is set to rise by 7.2% in 2023 compared with the third quarter of 2022 because of the longer shipping routes, says Matt Wright, senior freight analyst at Kpler. Longer voyages will increase the demand for vessels for diesel delivery.
"We're in for a bumpy ride for 12 weeks as global trade works its way out," said WoodMac's head of oils research, Alan Gelder. "It's going to be much more volatile".

Chart of the Day

European diesel imports from Russia

Europe increased imports of diesel from Russia ahead of a Feb. 5 ban on Russian refined oil products



Note: In thousands of tonnes
Source: Refinitiv data

Top News - Agriculture

Brazil soy farmers to reap record crop driven by growth in area -Reuters poll
Brazilian soybean growers will harvest a record soy crop just below 153 million tonnes in the 2022/2023 cycle driven by a rise in planted area and favorable weather in most parts of the country, according to a Reuters poll on Monday.
Though forecasters have cut output projections for southern Brazil due to a persistent drought in Rio Grande do Sul state, production increases in other parts of the world's biggest soybean supplier will offset losses there, poll data shows.
The new projection, based on assessments by 14 forecasters, represents an advance of around 2 million tonnes compared with the previous survey by Reuters, made in October.
One of the main drivers of the rise in production is a bigger planted area, which analysts believe will reach

43.4 million hectares (107.2 million acres) this season, up from 42.83 million hectares in the previous poll.
The findings of the survey, if confirmed, will represent increases of 21.8% in output and 4.58% in area sowed compared with the past season, when a drought spoiled part of the crop in southern Brazil.
"Everything leads to believe that we are going to harvest over 150 million tonnes," said Luiz Fernando Roque, analyst with agribusiness consultancy Safras & Mercado. "Even with the (expected) losses in Rio Grande do Sul state, the record harvest is guaranteed."
While Rio Grande do Sul will lose part of its soy crop again this season, the extent of the damage remains unclear, the analysts say.
Rains are expected to return as February approaches, which could limit the damage to crops. But if that precipitation is not confirmed, there is room for an aggravation of the scenario in Rio Grande do Sul, Roque noted.

Dry weather and heat could affect Ivory Coast cocoa quality, farmers say

Sparse rainfall and high temperatures observed in some of Ivory Coast's cocoa-growing regions last week could damage beans and flowers and reduce the upcoming April-to-September mid-crop, farmers said on Monday.
The world's top cocoa producer is in its dry season, which runs officially from mid-November to March, when rains are poor and scarce.
The dry Harmattan wind also blows from the Sahara Desert for a variable period between December and March. It can damage crops when strong.
Several farmers across the country said the Harmattan had subsided and was milder than in previous weeks.
But they worried dry weather would affect the quality of cocoa from the last stages of the October-to-March main crop as well as the mid crop.
There was no rain last week in the centre-western region of Daloa and in the central region of Yamoussoukro.
Just 0.1 millimetres (mm) of rain fell in the central region of Bongouanou where 0.1 millimetre (mm), 1.1 mm below the five-year average.
"It is very hot and it does not rain. This can tire trees and dry out a lot of fruit," said Leon Kacou, who farms near Daloa. Rains were above average in the southern region of Agboville and in the eastern region of Abengourou, where farmers said the downpours would strengthen and boost crops.
"It will reinvigorate trees," said Stephane Maho, who farms near Agboville, where 4.9 mm of rain fell last week, 2.5 mm above the average.Rainfall was also low in the western region of Soubre and in the southern region of Divo, although farmers there said soil moisture was sufficient to sustain crops.
Average temperatures ranged between 28 and 29 degrees Celsius in Ivory Coast last week.

Top News - Metals

Rio Tinto sees increased volatility as China reopens

Rio Tinto on Tuesday said that China's reopening from COVID-19 restrictions is set to raise near-term risks of labour and supply-chain shortages, while it also flagged a strong start to iron ore shipments for 2023.
The Anglo-Australian miner said consumers remain cautious of China's property market, which has been supportive to the economy, and that slowing global demand poses some risk to its exports. Shares fell 1% in line with a lower materials index.
China's property sector was severely mired last year as debt-ridden developers failed to finish projects, but a flurry of property support measures coupled with Beijing's abrupt removal of its zero-COVID policy last month cheered the market.
Rio looks set to retain its crown as the world's biggest iron ore producer as quarterly iron ore shipments came in slightly ahead of expectations, near the bottom of the year's guidance.
"Results are broadly in line," said Glyn Lawcock of Barrenjoey in Sydney. "It's good to see they made their iron ore guidance. Rio has also noted that system inventories are healthy. ... That puts them on track for a good start to 2023."
Shipments of iron ore rose slightly in the final quarter of 2022, benefiting from a continued ramp-up at Rio's Gudai-Darri mine in Western Australia, which is expected to reach its nameplate capacity, or the capacity the mine is designed to produce, during 2023.
Iron ore shipments for the final quarter of 2022 rose 3.8% to 87.3 million tonnes (Mt), bringing full-year shipments to 321.6 Mt, which beat a Visible Alpha consensus estimate of 320.2 Mt.
Rio Tinto maintained its full-year iron ore shipments forecast of 320 Mt to 335 Mt.
Inflation, led by diesel and labour costs, is likely to have pushed the company's Pilbara iron ore unit cash slightly above the top end of its $19.5-$21.0 per tonne guidance range, it said. Rio expects refined copper production at its Kennecott operations in Utah in the United States to be challenged until it rebuilds its smelter operations, which is planned for the second quarter of 2023 and is expected to take approximately three months.
"The market was probably disappointed by mined copper and obviously they are flagging a tough first half with a major smelter rebuild in Kennecott," Lawcock added.
Unplanned maintenance was required at Rio's anode furnaces leading to extended downtime and continued poor anode production, which is likely to result in weak cathode production in the first quarter of 2023.

Peru protests snarl copper leaving MMG's Las Bambas mine -source

Anti-government protesters in Peru are blocking traffic in and out of MMG Ltd's Las Bambas copper mine, but production will continue "as long as there is a stock of supplies," a source close to the company told Reuters on Monday.

Highway blockades in protest of President Dina Boluarte are keeping copper concentrate at the mine and blocking supplies from arriving, said the person, who was not authorized to speak publicly about the matter.

MMG did not respond immediately to a request for comment.

Production at Las Bambas is continuing at a reduced rate, with processing at full capacity and mining lower than usual, a MMG representative said earlier on Monday.

The mine has reduced its output since late November due to regular blockades set up by locals seeking greater benefits from the mine's operations.

Protests erupted in early December after former President Pedro Castillo tried to illegally dissolve Congress and was arrested, resuming after a two-week pause on Jan. 4, mostly in Peru's southern mining regions.

Forty-two people, including one police officer, have died in little more than a month of protests, which have led to violent clashes between demonstrators and security forces.

Peru is the world's No. 2 copper producer and Las Bambas is one of the world's largest producers of the red metal.

Last week, Glencore reported that a group of "vandals" attacked its Antapaccay copper mine, while Minsur announced the temporary suspension of its tin mine after some 18 people died in nearby protests in Peru's southern Puno region.

Tensions at Las Bambas peaked early last year, when residents of two communities moved onto the company's land, forcing the mine to suspend all operations for nearly two months.

The mining company has said that since starting operations in 2016, Las Bambas has suffered from more than 540 days of blockades on public roads that make up the so-called mining corridor.

MARKET MONITOR as of 08:03 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$79.15 / bbl	-0.89%	-1.38%
NYMEX RBOB Gasoline	$2.51 / gallon	-1.05%	1.39%
ICE Gas Oil	$932.50 / tonne	-0.16%	1.25%
NYMEX Natural Gas	$3.77 / mmBtu	10.35%	-15.69%
Spot Gold	$1,910.40 / ounce	-0.40%	4.71%
TRPC coal API 2 / Dec, 23	$170 / tonne	3.03%	-7.98%
Carbon ECX EUA / Dec, 24	€81.74 / tonne	0.50%	-7.11%
Dutch gas day-ahead (Pre. close)	€55.25 / Mwh	-12.72%	-26.89%
CBOT Corn	$6.69 / bushel	-0.85%	-1.36%
CBOT Wheat	$7.36 / bushel	-1.11%	-6.09%
Malaysia Palm Oil (3M)	RM3,846 / tonne	-0.16%	-7.86%

Top News - Carbon & Power

China coal output in Dec slips on COVID; rises to record in 2022

China's daily coal output in December fell from November's record as the country's rapidly expanding COVID-19 outbreak has sickened miners and slowed demand from industrial users.

China produced 402.69 million tonnes of coal last month, data from the National Bureau of Statistics (NBS) showed on Tuesday, equivalent to 12.99 million tonnes per day.

That compares with 13.04 million tonnes per day in November, and 12.41 million tonnes in December 2021.

Total production for 2022 rose to a record 4.496 billion tonnes, 9% higher than output in 2021, data from the NBS showed.

Beijing's sudden decision to abandon its strict zero-COVID policy at the end of November has led to dramatic increases in COVID cases. Coal mines in major mining regions such as Shanxi and Inner Mongolia have record-

ed many workers off sick.
While the lifting of restrictions is expected to raise coal demand from non-utility sectors such steel and cement in the medium term, the surging COVID cases have forced factories to cut back output because of labour shortages.
The slowdown in industrial demand has continued into January and is expected to persist through the Lunar New Year holiday at the end of this week.
China's coal production is expected to expand further in 2023 amid Beijing's emphasis on bolstering energy security. The country is assessed to have approved 260 million tonnes of coal mining capacity in 2022, bringing total capacity to 5.05 billion tonnes.
The National Development and Reform Commission also urged utilities to expand term contracts with domestic miners in 2023, which should prompt miners to further boost their output.

India to boost coal imports to cope with harsh weather, freight snags

India's power utilities will likely boost coal imports this year to cope with surges in demand, made worse over the past year by extreme temperatures, and with freight bottlenecks that are disrupting domestic coal supplies, analysts and officials said.
A steady rise in industrial electricity use in recent years has left utilities in India, one of the world's fastest growing major economies and the second-largest coal consumer and importer, with limited leeway to confront extraordinary demand or hiccups in supply.
Additional buying by India on the world market, where it gets nearly a quarter of its coal, could also support global coal prices, along with top importer China's push to ramp up industrial activity after it eased its strict COVID 19-related restrictions. Prices have cooled since hitting a record high in June, due mainly to a warmer-than-expected European winter.
India's record domestic output of coal has eased tight inventories at power plants, to an average 12 days' supply at the end of 2022 from nine days when the current fiscal year began last April.
But stocks are still far below federal guidelines that recommend at least 24 days' supply as a buffer against the sort of power outages India suffered last year and the year before.
"Even now, about 31% of the total coal-based capacity is facing critical coal shortages," said Abhishek Rakshit, a Senior Research Analyst at Wood Mackenzie.
India's coal-fired plants, which account for more than 70% of national power output, may have to increase imports by 50% to 60% in April-December 2023, said Hetal Gandhi, Director of Research at CRISIL Market Intelligence and Analytics, if they are to "avert a possible crisis".
Coal imports by Indian utilities more than doubled to 42 million tonnes during the first eight months of this fiscal year from April, compared with the year-ago period, despite an 11.9% increase in domestic coal supplies to utilities.
While the government this month lowered its economic growth forecast for this fiscal year to 7%, India is still one of the best performers among G20 economies and its industrial activity has been particularly resilient, driving increases of about 14% in electricity generation in November and December versus average annual growth of 9.6%, government data showed.
Coal-fired generation accounted for an outsized portion of that increase, rising about 15% during the two months.
Extreme weather conditions have put an additional strain on power supplies. A scorching heatwave in April and severe cold in northern India towards the end of December triggered sudden surges in electricity use, and have made forecasting of coal and power demand difficult.
"There are risks that (coal) demand could be higher due to a hotter summer and/or stronger than currently expected industrial growth in the country in 2023," Girish Madan, Director at Fitch Ratings, said.
India's coal inventories were depleted rapidly in recent years, which government officials have cited when advocating for imports.
Coal stocks at power plants slipped as low as four days, or 8 million tonnes, in September 2021, compared with 15 days in June that year, resulting in a crippling power crisis in October 2021. In less than six months, India faced another power crisis that was its worst in six and half years.
Disruptions to coal supply lines due to rail car shortages have compounded the problem, limiting the effectiveness of increased domestic coal production. Trains made available by the Indian Railways to Coal India, which produces 80% of India's coal, have fallen short of monthly targets for at least 21 months, government data shows.
"In the last two years, Indian Railways have increased trains supplied per day. But that has not been enough to catch up with rising demand," said Ashis Pradhan, an analyst at Rystad Energy.

Top News - Dry Freight

Egypt’s GASC has sold around 300,000 T of wheat via new commodities exchange

Egypt's state grains buyer the General Authority for Supply Commodities (GASC) has sold around 300,000 tonnes of wheat via the new Egyptian Mercantile Exchange since its November launch, the exchange head Ibrahim Ashmawy said on Monday.
The wheat was mostly of Russian origin with some German wheat also sold, Ashmawy told Reuters. GASC said last November it will be able to make international wheat purchases through the newly launched exchange, which is also aimed at eliminating local price distortions.

Traffic resumes after Ukraine cargo ship grounded near Istanbul

The cargo ship MKK 1, travelling from Ukraine to Turkey, was grounded in Istanbul's Bosphorus Strait on Monday and traffic in the strait was suspended for a few hours, shipping agents Tribeca said.
Several tugs were among vessels sent to provide assistance to the ship, the coastguard authority said. It said no damage or spill was reported.
Television footage showed the bow of the ship, carrying 13,000 tonnes of peas, grounded close to the coastline on the Asian side of the Bosphorus.
The Joint Coordination Centre in Istanbul, which runs the U.N.-brokered Black Sea grain deal operations, said at the weekend the ship was travelling from Pivdennyi to the Turkish Mediterranean port of Mersin. Tribeca said the Palau-flagged general cargo ship was grounded at Acarburnu at the northern end of the strait early on Monday as it headed southbound.

Picture of the Day

A file photo shows the Palau flagged bulker MKK1, carrying grain under UN's Black Sea grain initiative, being towed free after running aground in Istanbul's Bosphorus, Turkey January 16, 2023. REUTERS/Mehmet Emin Caliskan

(Inside Commodities is compiled by Anjana J. Nair in Bengaluru)

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