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Top News - Oil

OPEC+ panel unlikely to tweak oil policy at Feb. 1 meeting, sources say

An OPEC+ panel is likely to endorse the producer group's current oil output policy when it meets next week, five OPEC+ sources said on Tuesday, as hopes of higher Chinese demand driving an oil price rally are balanced by worries over inflation and a global economic slowdown.

Ministers from the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, known collectively as OPEC+, meet virtually on Feb. 1.

The panel, called the Joint Ministerial Monitoring Committee (JMMC), can call for a full OPEC+ meeting if warranted.

The meeting comes as the price of oil has rallied in 2023 towards $90 a barrel on hopes Chinese demand will recover while the European Union and Group of Seven (G7) is set to broaden a price cap on Russian crude to refined products from Feb. 5.

Five OPEC+ sources told Reuters the JMMC would discuss the economic outlook and the scale of Chinese demand and was unlikely to suggest tweaks to current policy. One said oil's rebound in 2023 made any changes unlikely.

"We will certainly discuss China's economy and inflation," one of them said. "There are no expectations for this meeting. This will not be an OPEC+ meeting, but only a JMMC with no decisions or recommendations."

The United Arab Emirates' energy minister Suhail al-Mazrouei said on Jan. 16 the market was balanced, echoing earlier remarks from Russian counterpart Alexander Novak. Both ministers sit on the JMMC, which is co-chaired by Novak and Saudi Energy Minister Prince Abdulaziz bin Salman.

"OPEC+ is by now somewhat comfortable that the difficult time of COVID's impact is behind us and the geopolitical situation and China's recovery are driving the volatility," another of the OPEC+ sources said.

OPEC+ angered the United States and other Western nations in October when it decided to cut output by 2 million barrels per day (bpd) from November through 2023, instead of pumping more to lower fuel prices and help the global economy as the U.S. advised.

At their last meeting in December, the group left policy unchanged, and their next full meeting is not scheduled until June.

COLUMN-China's diesel exports rebound easing global shortage: Kemp

China's exports of refined petroleum products, especially diesel, surged in the final two months of 2022, relieving some of the global shortage caused by unusually low exports since the middle of 2021.

Exports of refined products totalled 54 million tonnes in 2022, down from 60 million in 2021 and 62 million in 2020, according to preliminary data from the General Administration of Customs (GAC).

China's exports were below normal for 16 months from July 2021 through October 2022 with a cumulative shortfall relative to the previous trend of 21 million tonnes or 167 million barrels.

The downturn was concentrated in diesel with a cumulative shortfall of around 17 million tonnes or 128 million barrels ("Monthly bulletin", GAC, January 18).

Reduced exports contributed to depletion of global diesel inventories and extremely high margins for refiners in the rest of the world in 2021/22

In the final two months of the year, however, volumes surged after the government issued increased export quotas at the end of the third quarter.

Diesel exports accelerated to a near-record 2.8 million tonnes in December, from just 1.1 million tonnes in October, narrowing the deficit since mid-2021 to less than 16 million tonnes or 117 million barrels.

Coupled with the slowdown in the business cycle, increased exports from China have stabilised and started to replenish distillate inventories in North America and Europe.

Diesel exports are likely to remain faster-than-normal for several months following the allocation of another large tranche of quotas at the start of 2023 ("China raises fuel export quotas to spur refinery output", Reuters, January 3).

The result should increase diesel availability and depress margins in the first and second quarters of 2023, until China's rebound from the pandemic begins to crimp exports and deplete inventories again in the second half of the year.

Top News - Agriculture

Brazil wheat making strides in global markets amid Russia-Ukraine conflict

Brazil is poised to register record wheat shipments for January as local suppliers continue to fill the void left by major exporters Russia and Ukraine because of the ongoing war, industry sources told Reuters.

The combination of a bumper harvest and production hiccups in Argentina due to a drought also bolstered Brazilian exporters, particularly in Rio Grande do Sul, the country's biggest wheat producer, they said.

Based on shipping schedules, the National Association of Cereal Exporters (Anec) projected wheat exports at 803,800 tonnes for January.

If confirmed, the volume will represent a new historic high for the month, compared to the previous record of 695,900 tonnes registered in January 2022, according to Anec data.

"Brazil is a big producer and exporter of grains. As you earn credibility from the soybean trade, you begin to expand to other products," Anec Director-General Sergio Mendes told Reuters.

According to Mendes, grain importers see Brazil as a reliable supplier, and this favors exporters.

Indonesia, Saudi Arabia and Sudan buy around 50% of Brazilian wheat exports. Vietnam is also a prominent buyer, Mendes noted.

"The maintenance of shipments to these countries with whom we maintain good commercial relations leads to the belief that things are progressing," Mendes said about Brazil's inroads in global markets.

StoneX, a consultancy, projects Brazilian shipments of 3 million tonnes of wheat for the 2022/23 season, from August 2022 to July this year, stable from the previous cycle's record.

Brazil's growing wheat exports, however, still pale in comparison to Ukraine's 13 million tonne export estimated by United States Department of Agriculture for the 2022/2023 season.

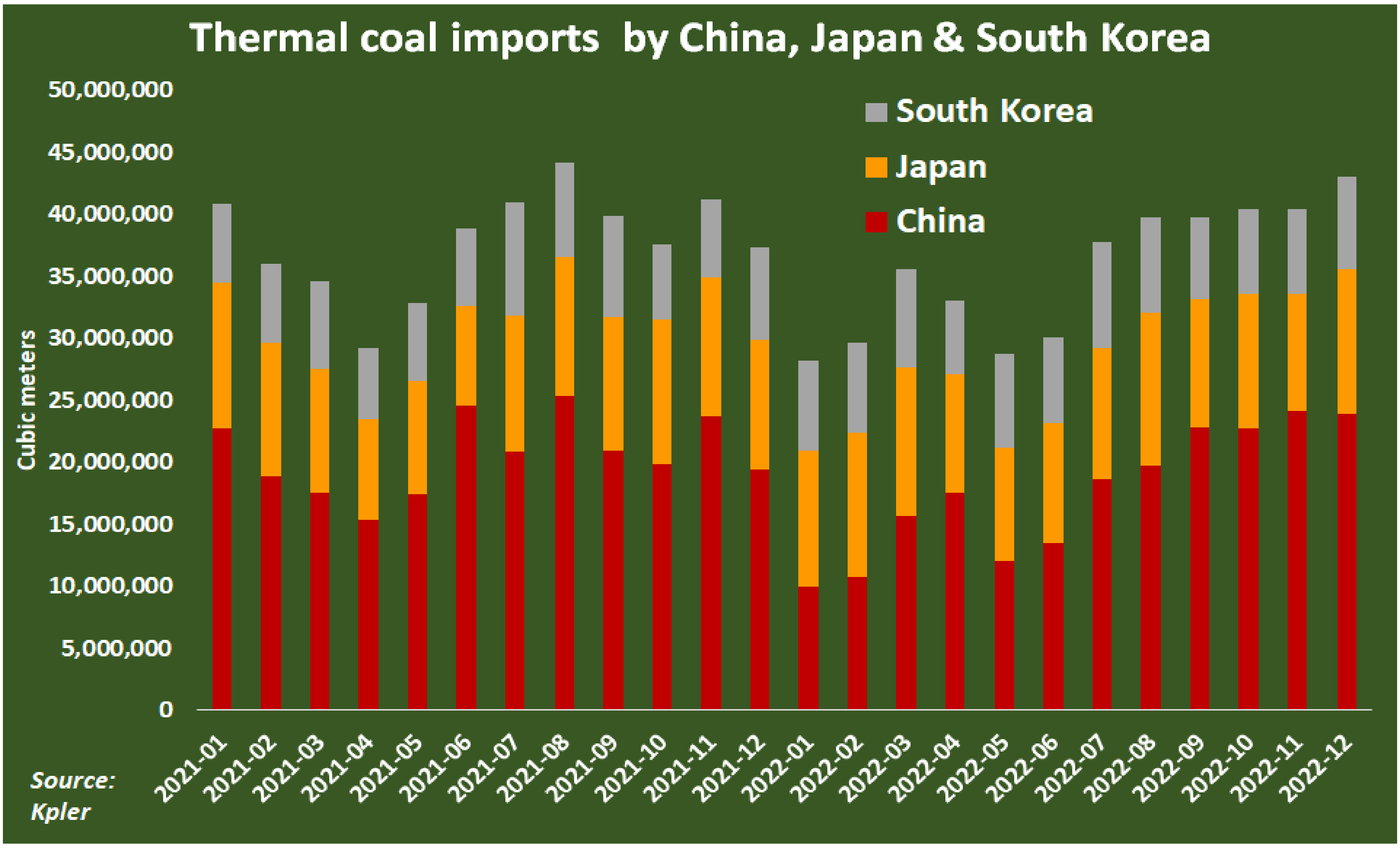
Over the entire 2022/23 July-June marketing season, world top exporter Russia faced complications to sell wheat because of Western sanctions.

But despite Russia's involvement in the war, its wheat export forecast for 2022/2023 is estimated at 44.1 million tonnes, representing a 10 million tonne rise from the previous cycle, according to SovEcon agriculture consultancy.

COLUMN-Will fading La Nina boost prospects for the 2023 U.S. corn crop? -Braun

While La Nina's predicted exit within the next couple months could bring relief to parched crop areas in the

Chart of the Day



southern U.S. Plains and Argentina, weather implications for the upcoming U.S. corn crop are not as clear-cut.
La Nina, which arises when surface waters in the equatorial Pacific Ocean are cooler than normal, may soon fade out, making way for average or even warmer conditions to form toward mid-2023. That mildly increases the chance of a bountiful U.S. corn crop, but a disaster cannot be ruled out.
La Nina and its warm-phase cousin El Nino usually peak in strength during the U.S. winter. The U.S. summer can either be a maintenance or transition period for this oceanic pattern, known as El Nino-Southern Oscillation (ENSO).
Therefore, it is more common for ENSO to be in a neutral-negative (La Nina-like) or neutral-positive (El Nino-like) state during the U.S. summer. This reduces the correlation between U.S. summer crop outcomes and ENSO, whereas dryness in Argentina's summer or the U.S. Plains' winter is a very good bet during La Nina, for example.
La Nina is on its third consecutive season, but its departure could be near. Forecasters expect neutral-positive conditions for the May-August time frame, when weather is important for U.S. corn. There is a slight bias for El Nino to form after August.
Although it varied greatly by state, U.S. farmers on average did not produce a stellar corn crop in 2022 due to drought in the west. That has kept domestic corn supplies tight and prices elevated, putting more pressure on the 2023 harvest to perform.

PROBABILITIES
It cannot be said that El Nino is favorable for U.S. corn yields because El Nino or neutral-positive ENSO prevailed in the summer months of what were some of the poorest harvests including 2012, 2002, 1993 and 1983.
However, when compared with long-term yield trends, nine of the 11 best yielding years within the past four decades coincided with El Nino or neutral-positive during June-August. Most recently, that includes 2017, 2014, 2009, 2004 and 1994 and excludes 2016.
A mid-year neutral-positive ENSO historically offers the best chances for temperatures in the crop-heavy Midwest to be below average during the most critical months of July and August. The four coolest July-August periods within the last 20 years or so occurred during neutral-positive ENSO years. Those were also the years that featured the best corn yields.
But the hot summer of 2012 is also among the neutral-positive years.
Above-average summer rainfall in the Midwest is slightly more likely during positive ENSO phases versus negative ones, and the separation is most prominent using late spring ENSO readings. Of the 10 driest July-Augusts over the past four decades, only three took place after neutral-positive ENSO or El Nino conditions dominated the period centered around May.
The wettest Midwestern July-August, 2016, occurred during an El Nino-La Nina transition. The 2012 season was among the driest.
It is important to remember that ENSO is not necessarily the main driver of U.S. summer weather patterns, though it could offer an initial bias. Right now, the focus is on excessively dry conditions across the Plains and whether those ease toward the spring when corn planting begins.

2023 ANALOGS
Compared solely against U.S. crop outcomes, the general La Nina-to-El Nino trend predicted for 2023 historically favors slightly better corn yields, though there is one stinker in the bunch.
Recent years where an early-year La Nina gave way to El Nino by year's end include 2018, 2009 and 2006. U.S. corn yield was average in 2006 and a little above in 2018. The 2009 yield was considered bin-busting, though that result is controversial as heavy late-season rains docked crop quality.
The strong corn-yielding year of 2014 offers another possible comparison as it featured neutral-negative ENSO that tracked to El Nino by the end of the year.
La Nina fading to neutral-positive ENSO toward the end of the year is the less ideal scenario as company includes 2012, the infamous U.S. drought year. However, the positive ENSO conditions faded back into neutral-negative for the 2012-13 winter.

Top News - Metals

Newcrest quarterly gold output misses estimates after fatality
Australia's Newcrest Mining said on Wednesday gold production fell 2.8% in the second quarter from the first, missing analyst expectations, after operations were suspended at its Brucejack operations in Canada following a fatality.
In late October, the gold miner confirmed the death of a worker at its Brucejack mine. The resulting three-week operational suspension during a safety review led to a 38% drop in production on the quarter before to 52,000 ounces.
Australia's largest gold miner also said drought conditions due to the La Niña weather pattern kept limiting water supply to the Lihir mine in Papua New Guinea, hurting gold production for the second straight quarter.
Unplanned downtime at the plant also hit output.
"We remain confident in delivering a stronger operating performance through the second half of FY23," Interim Chief Executive Officer, Sherry Duhe said.

Duhe, formerly Newcrest's chief financial officer, stepped in after Sandeep Biswas announced his retirement in late December.
Newcrest maintained full-year guidance of 2.1-2.4 million ounces, with healthy gold and copper pricing, favourable exchange rates and production growth expected to drive a better performance in the second half of the financial year.
The miner produced 512,130 ounces (oz) of the precious metal in the three months to Dec. 31, compared with 527,115 oz in the September quarter, coming in well below Citi estimate of 552,700 oz.
Al-in sustaining costs fell 1% for the quarter to $1,082/oz as production costs eased at the Cadia mine in New South Wales
Gold miners had a volatile 2022, as bullion prices were swayed by a global rise in interest rates, and fears of an impending recession. Spot gold rose nearly 10% in the December quarter.
The company's quarterly copper output rose to 34,564 tonnes from 32,459 tonnes in September quarter. Shares eased 0.4% to A$23.30.

Chile's Codelco produced less copper in 2022, chairman says
Chile's state-run Codelco, the world's largest copper producer, produced 172,000 fewer tonnes of copper in 2022, Chairman Maximo Pacheco said on Tuesday, marking a roughly 10% drop from output in 2021.
Speaking to an association of engineers in Santiago, Pacheco said 77% of the reduction was due to problems with operations while 23% was due to project delays.
"We've had an extraordinarily eventful year," Pacheco said, noting a collapse in the company's Chuquicamata mine and a landslide at its Ministro Hales mine.
There were a number of high-profile accidents at several Codelco mines in 2022, with some resulting in fatalities, forcing the company to suspend operations. Pacheco said Codelco was working to improve safety, but he did not provide details.
Codelco produced an estimated 1.446 million tonnes of copper in 2022, compared to 1.618 million tonnes in 2021. Other copper giants in Chile, like Antofagasta, also reported drops in production in 2022, blaming lower ore grades and a drought.
Pachecho also said the investment plan for the El Teniente mine was $5.6 billion, which is 75% over budget compared to initial estimates. The Traspaso Andina project was also 21% over budget, reaching $1.7 billion.
He also said the $1.4 billion Rajo Inca project is being revised and is 16 months behind schedule, with an expected production start in the first half of 2024.
In regard to a planned state-run lithium company, Pacheco said that drill samples from the Maricunga salt flats, the country's second-richest area for lithium, had

MARKET MONITOR as of 07:37 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.27 / bbl	0.17%	0.01%
NYMEX RBOB Gasoline	$2.68 / gallon	1.05%	8.14%
ICE Gas Oil	$989.25 / tonne	0.36%	7.41%
NYMEX Natural Gas	$3.13 / mmBtu	-3.84%	-29.99%
Spot Gold	$1,928.78 / ounce	-0.45%	5.72%
TRPC coal API 2 / Dec, 23	$165.5 / tonne	-7.02%	-10.42%
Carbon ECX EUA / Dec, 24	€85.62 / tonne	0.15%	-2.70%
Dutch gas day-ahead (Pre. close)	€60.63 / Mwh	-6.72%	-19.77%
CBOT Corn	$6.80 / bushel	0.41%	0.18%
CBOT Wheat	$7.44 / bushel	1.23%	-7.26%
Malaysia Palm Oil (3M)	RM3,761 / tonne	-3.37%	-9.89%
Index (Total Return)	**Close 24 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	302.52	-0.80%	0.39%
Rogers International	28.46	0.41%	-0.72%
U.S. Stocks - Dow	33,733.96	0.31%	1.77%
U.S. Dollar Index	101.92	-0.22%	-1.55%
U.S. Bond Index (DJ)	410.61	0.68%	3.92%

"very positive" results in terms of depth and concentration, but he did not provide more specifics.

"It's a salt flat that has to be developed by one or very few (companies)," Pacheco told reporters. "We're very optimistic about Codelco's position in the salt flat."

Top News - Carbon & Power

Woodside Energy sees European winter, Chinese recovery clouding gas price outlook

Woodside Energy Group Ltd's chief executive said European winter temperatures and Chinese economic recovery are among factors clouding the near-term outlook for gas prices, which have dropped from the historic highs of last year.

Australia's biggest independent gas producer on Wednesday posted a 78% jump in fourth-quarter revenue on record output, slightly ahead of analysts' forecasts, benefiting from strong LNG prices and its takeover of BHP Group's petroleum assets, completed in June.

That puts the company on track for record profit of around $5.6 billion for 2022, showed estimates of analysts polled by Refinitiv. Forecasts for 2023, however, are for a slight fall in profit on weaker oil and gas prices.

Chief Executive Meg O'Neill said the jury is out on the outlook for liquefied natural gas (LNG) prices in the near term.

"Last year was a really exceptional year in terms of what happened in energy markets globally. The prices that we're seeing today are still well above historic norms," O'Neill said in an interview.

"There's still a lot of uncertainty around, for example, for the rest of the European winter and how cold that's going to be. There's a question around how fast Chinese economic activity and energy demand ramps up."

Revenue for the three months ended Dec. 30 soared to $5.16 billion on record output of 51.6 million barrels of oil equivalent. The company's average realised price jumped 9% to $98 per barrel of oil equivalent from a year earlier.

Woodside remains confident it can start producing gas from its biggest project, the $12 billion Scarborough development and Pluto LNG expansion, in 2026, despite new consultations with Indigenous groups required by the Federal Court in order to receive final environmental approvals.

"Our project teams are very good at adapting to challenges and adjusting activity plans. So at this point in time, the project is still on track," O'Neill told Reuters.

While Woodside has said the government's plans to control gas prices may deter new projects, O'Neill reaffirmed the company's outlook of production growth of 4% a year to 2027, saying it was based on its major projects already underway.

U.S. issues license to Trinidad and Tobago to develop Venezuela offshore gas field

The Biden administration has granted a license to Trinidad and Tobago to develop a major gas field located in Venezuelan territorial waters, U.S. and Trinidad officials said on Tuesday, marking a further easing of some sanctions on Venezuela.

The license, issued by the U.S. Treasury Department at Trinidad's request and intended to enhance Caribbean regional energy security, means the island nation can do business related to the Dragon gas field with Venezuela's heavily sanctioned state-run oil company PDVSA.

Prime Minister Keith Rowley, speaking at a news conference in Port of Spain, said Trinidad expects to gain access to 350 million cubic feet of gas per day from the Dragon field.

He said he applied for the license in mid-2022 and won approval after discussing it with top U.S. officials, including U.S. President Joe Biden, while also keeping open a channel of communication with Venezuelan President Nicolas Maduro.

A senior U.S. official, speaking to Reuters on condition of anonymity, said "the Maduro regime will not be permitted to receive any cash payments from this project" and all remaining U.S. sanctions would be unchanged and enforced.

The decision was the result of extensive diplomacy between Vice President Kamala Harris and Caribbean leaders in an effort to ensure regional energy security and reduce reliance on other nations' resources, including Russia, the official said.

"The U.S. Vice President has been a careful and committed listener," Prime Minister Rowley said.

PDVSA has found reserves of 4.2 trillion cubic feet (TCF) in Dragon, on the Venezuelan side of its maritime border with Trinidad. The project was headed for production over a decade ago, but stalled over lack of capital and partners, as well as sanctions.

Under U.S. sanctions, companies and governments must obtain authorization from the U.S. Treasury Department to do business with PDVSA. The Biden administration has granted only a few such licenses since taking office in January 2021, mostly on a heavily restricted basis.

The license follows a round of negotiations in November between Maduro's Socialist government and the opposition, aimed at finding a path to new elections. But Maduro, whose 2018 re-election was widely derided by

Western governments as a sham, has resisted sending his negotiating team back to the table since then.
With Maduro's hand strengthened by fractures within the opposition and eroding diplomatic isolation in Latin America, it was not immediately clear whether the new U.S. license could help lure him into a new round of talks in Mexico.

REGIONAL ENERGY NEEDS IN FOCUS
One of Washington's key aims appeared to be a response to U.S. partners in the Caribbean who have called for help to deal with high energy prices following Russia's invasion of Ukraine.
"The Vice President conveyed to the Prime Minister that the Treasury Department would take action to help meet the region's long-term energy needs," a statement from Harris' office said, referring to a call with Rowley on Tuesday.
The license will allow PDVSA, Shell and Trinidad to jointly plan and develop a gas-exporting project after agreeing to pending details in coming days. A portion of the resulting gas must be exported to Jamaica and the Dominican Republic, according to the two-year license's terms, Rowley said.
Trinidad is Latin America's largest liquefied natural gas (LNG) exporter, with installed capacity to process 4.2 billion cubic feet per day (bcfd) into LNG, petrochemicals and power. But its gas production is just under 3 bcfd.
Even with Washington's granting of Trinidad's request, it could take years of investment and effort to bring Venezuelan gas to Trinidad and boost LNG exports, experts say.
In addition, with no payments authorized to Venezuela, it could be difficult for Trinidad to craft a deal with Caracas.
Cash-strapped PDVSA is expected to operate the Dragon project on the Venezuela side. The U.S. authorization could open the door for moving ahead with another gas project with Trinidad, in the Loran-Manatee fields.
In November the United States issued a six-month license to Chevron, authorizing it to expand operations in Venezuela and bring oil to the United States.
The Chevron license was one of Washington's first significant steps to ease sanctions as an incentive for Caracas to work with opposition leaders.

Top News - Dry Freight

COLUMN-North Asia cranks coal imports to fuel industrial reboot: Maguire
Thermal coal imports into China, Japan and South Korea - three of the world's largest coal users - hit their highest combined total in 16 months in December as the North Asian manufacturing powerhouses primed their economies for growth in 2023.
Economic momentum in these countries - which collectively accounted for nearly half of all thermal coal imports in 2021 - was subdued in 2022 as China's strict zero-COVID measures stifled industrial activity across the world's largest manufacturing base.
Japan and South Korea have extensive supply chain ties with China which meant that each country suffered slowdowns in both productivity and demand growth in 2022 as China's COVID-19 curbs stifled movement of goods and people over much of the year.
But thanks to a slew of stimulus and easing measures passed by Beijing that are designed to kickstart a revival in China's economy this year, factories and industries throughout North Asia are now also primed for a pick up.
GEARING UP
To feed that anticipated sustained rise in output and consumption, each country has stepped up imports of thermal coal, which generates power for electrical grids as well as plants producing everything from cement and ceramics to refined metals, chemicals, heavy machinery and fertilizers.
Combined thermal coal imports by the three countries totalled 43 million tonnes in December 2022, the highest monthly tally since August 2021, ship-tracking data from Kpler shows.
In turn, that collective climb in coal use is set to generate a swell in combined coal emissions from China, Japan and South Korea, which together accounted for 36% of global carbon dioxide emissions from energy use in 2021, according to the BP Statistical Review of World Energy.
In January through October 2022, combined emissions from coal power generation from China, Japan and South Korea totalled 4.03 billion tonnes, which marked a 1.3% increase from the same period in 2021, data from Ember shows.
In 2023, that emissions load looks set to climb even higher amid the synchronised uptick in manufacturing hubs across all three countries.

SIGNS OF RECOVERY
While it will take months for Beijing's stimulus measures to fully take effect, there are already signs recovery in key areas of the manufacturing economy across North Asia.
Data on China's production of key industrial inputs, which include refined fuels, plastics, resins and metals, shows an upturn across several sectors that reflects improving demand from end users such as appliance manufacturers and production lines.
One such key end user is Asia's car production industry, which started to show signs of growth as of the latest data from late 2022 across China, Japan and South Korea.

The car sector was badly hit by a shortage of key components over the past couple of years - most notable micro chips - so any sustained recovery in China's factory operating rates should foster a further upturn in vehicle output across North Asia in the months ahead.

Greater economic activity across China should also spur increased demand for manufactured goods, including cars.

That should benefit top global car exporter Japan, which has struggled to lift exports to pre-COVID levels despite strong demand in both North America and Europe for new vehicles over the past year.

A major factor constraining overall car exports has been the sluggish demand in Asia, mainly China, which should start to see a recovery in 2023 as greater industrial activity along side the stimulus measures by Beijing take root and spur more spending.

In sum, the combination of more freedom of movement in China and greater industrial activity across North Asia should spur an improvement in global economic growth in 2023.

But the associated additional output from factories and heavy industry looks set to come with higher fossil fuel pollution, which may potentially undermine efforts to slow climate change and cap overall emissions.

EU 2022/23 soybean imports at 6.08 mln T, rapeseed 4.26 mln T

European Union soybean imports in the 2022/23 season that started in July had reached 6.08 million tonnes by Jan. 22, down 19% from 7.47 million by the same week in the previous season, data published by the European Commission showed on Tuesday.

EU rapeseed imports so far in 2022/23 had reached 4.26 million tonnes, up 41% compared with 3.02 million tonnes a year earlier.

Soymeal imports over the same period totalled 8.95 million tonnes, 2.5% below a year-earlier 9.18 million, while palm oil imports stood at 1.89 million tonnes, down 39% from 3.11 million by the same week in 2021/22.

However, the Commission said that it was still experiencing problems compiling trade figures from Germany and Italy.

Export data submitted by Germany from November may be inaccurate following the country's switch to a new declaration system, while for Italy import data was available only until the end of November, it said in a note.

The next weekly grain and oilseed trade data will be published on Wednesday Feb. 1, a day later than usual, the Commision added.

Picture of the Day

A woman reacts on a sunflower field in Kaohsiung, Taiwan, 2023. REUTERS/Ann Wang.

(Inside Commodities is compiled by Indrishika Bose in Bengaluru)

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

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