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Top News - Oil

Ukrainian drones hit Rosneft refinery in Russia - source
Ukrainian drones attacked a Rosneft-owned oil refinery in southern Russia in the latest such strike on Russian energy infrastructure, a Ukrainian source said on Thursday.
Local officials in Russia said there was a fire overnight at the export-oriented unit in the town of Tuapse, but it was extinguished.
"The vacuum unit was on fire. According to preliminary information, there were neither casualties nor injured," Sergei Boiko, the head of Tuapse district, said on Telegram.
Rosneft, Russia's largest oil producer, has not commented.
The Ukrainian source said the SBU security service hit the refinery with drones and would continue attacking facilities providing fuel for Russia's nearly two-year invasion.
"The SBU strikes deep into the Russian Federation and continues attacks on facilities which are not only important for the Russian economy, but also provide fuel for the enemy troops," the source told Reuters.
Unofficial Telegram channels showed pictures of the blaze and also said drones had been responsible.
The strike would be at least the fourth on a major Russian energy infrastructure target over the past week, including an attack on a Baltic Sea fuel export terminal and processing complex at the port of Ust-Luga, which ships oil products.
Ukraine - which tranships natural gas for Kremlin-controlled Gazprom to Europe - appears to be stepping up attacks on major Russian oil production and export facilities.
The attack will heighten concerns over global energy supplies. Oil prices rose on Thursday after a fresh attack by Houthi forces on ships off Yemen's coast.
The Tuapse plant's annual capacity is 12 million metric tons (240,000 barrels per day). It produces naphtha, fuel oil, vacuum gasoil and high-sulphur diesel, and supplies fuel mainly to Turkey, China, Malaysia and Singapore.
In 2023, the plant processed 9.378 million tons of crude oil, producing 3.306 million tons of gasoil and 3.123 million tons of fuel oil.

Valero Energy's Q4 profit beat Wall Street estimates
Refiner Valero Energy's fourth quarter earnings beat Wall Street estimates on better than expected results from refining and ethanol production, the company said on Thursday.
Overall results in the fourth quarter of 2023 fell. Results pulled back from record levels touched in 2022 following Russia's invasion of Ukraine.
San Antonio, Texas-based Valero said its refining margin for the quarter fell to $3.55 billion from $6.32 billion in the previous year.
Heavy maintenance activities in the near term would provide support to refining margins, ahead of the summer driving season.
The U.S. energy firm's 14 refineries are scheduled to operate between 83% and 86% of their combined total throughput capacity in the first quarter.
Valero said it has also seen a spike in freight rates due to the Red Sea attacks, with the cost of transporting crude from the U.S. Gulf Coast to Northwest Europe surging almost three times.
"It gives us a crude cost advantage versus our global competitors," Chief Operating Officer Gary Simmons said in a conference call.
Valero said its throughput capacity utilization was 94% in the fourth quarter.
Its total refinery throughput volumes averaged 3 million barrels per day in the quarter, marginally lower than last year.
U.S. refiners were operating at 93% utilization in recent weeks to meet seasonal distillates demand, which spikes in winter due to heating needs and make up for downtime during the fall. Valero's net income fell to $1.2 billion, or $3.55 per share, for the three months ended Dec. 31, compared with the year earlier, but beat LSEG estimates of $2.96 per share. Analysts attributed the beat to stronger-than-expected margins in its North Atlantic operations and ethanol business.
Valero said it expects 2024 capital investments to be about $2 billion.

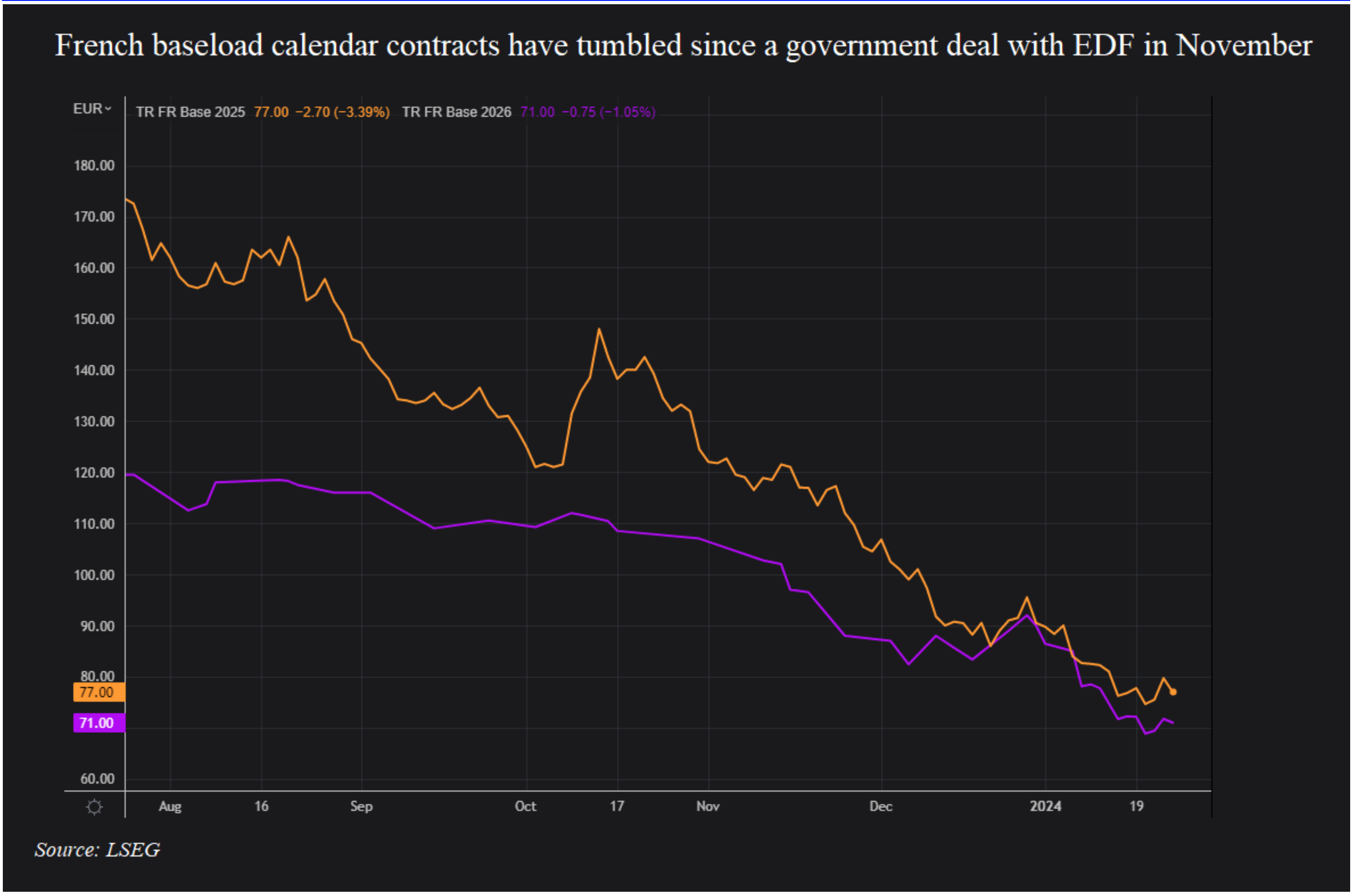
Top News - Agriculture

Forecasts for Argentina's soy, corn crops up due to more rainfall
Argentina's current soybean and corn harvests were upwardly revised on Thursday, as expected yields from both key grains crops benefited from more rainfall.
The Buenos Aires Grains Exchange now sees soybeans from the 2023/24 harvesting season at 52.5 million metric tons, or up about 1% compared to the previous forecast.
The exchange sees corn output from the same season at 56.5 million tons, up nearly 3% from the previous forecast.
The exchange pointed to improved soil moisture boosting both crops. The South American agricultural powerhouse is a top global supplier of processed soybeans, and a major corn and wheat exporter.
The exchange also nudged up its corn planting estimate to 7.2 million hectares (17.8 million acres), compared to a prior forecast of 7.1 million hectares.
The exchange stressed that if expected rains do not materialize, the forecast for soybeans could change.
The Rosario grains exchange said separately on Thursday that rains in the country's core farmland have helped "turn the page" after three years of debilitating

drought. Soybean farmers in the area are ready for a "rematch," the Rosario exchange added, with this cycle's harvest for the country's top cash crop set to top last year's by more than five times. It cautioned some areas still need more rain, and soon, to maintain projections as high temperatures are expected.
Argentina's latest wheat harvest, meanwhile, ended with a 15.1 million ton yield, in line with the Buenos Aires exchange forecast and landing 25% higher than last year's drought-hit cycle. The wheat yield, however, came in some 22% below the five-year average.
The new government of libertarian President Javier Milei hopes to generate revenue from the sector by hiking export taxes on key grains, as Argentina grapples with an ailing economy marked by sky-high inflation.

Fight brewing over Biden climate funds that help farmers in Republican-leaning states
An effort by Republican U.S. lawmakers to reallocate $18 billion in climate-friendly agriculture funding under President Joe Biden's signature climate law would shift money away from programs that primarily benefit farmers in Republican-leaning states, a Reuters analysis found.
The Inflation Reduction Act money, earmarked for U.S. Department of Agriculture-designated "climate-smart" farm practices, is intended to support Biden's agriculture climate agenda, which relies heavily on storing carbon in the soil and lowering emissions through sustainable farming techniques.
About 65% of the new money due to be spent under the law on those climate-friendly practices would go to farmers in states that backed Republican former President Donald Trump in the 2020 election, and about 70% would go to states with a Republican member on the House or Senate farm committees, according to a Reuters examination of projections by University of Illinois agricultural policy professor Jonathan Coppess.
Iowa stands to get the most money with $1.03 billion, followed by Texas ($772 million) and Arkansas ($723 million), according to the projections by Coppess, which used historical USDA funding data to estimate how the Inflation Reduction Act money would be distributed.
Republican House of Representatives Agriculture Committee Chairman Glenn "GT" Thompson and the Senate Agriculture Committee's top Republican, John Boozman, want to reallocate the Inflation Reduction Act money to all conservation programs without the climate-related requirements.
Under Thompson's plan, some money also would be moved to crop supports and other farm programs, a committee aide said.
A spokesperson for Thompson expressed skepticism toward Coppess's findings and noted that he previously served as general counsel for the Senate Agriculture Committee under Democratic leadership.
Representatives for both Thompson and Boozman said

Chart of the Day



reallocating the funds could allow money to reach more farmers. Democrats are opposed to the reallocation.
"Moving this funding away from conservation with its intended purpose - addressing the climate crisis - is a non-starter for me and does not have the votes in the Senate or the House," Democratic Senate Agriculture Committee Chairwoman Debbie Stabenow said in an email to Reuters.
White House officials also have pledged a fight to preserve the money for climate-friendly practices.
Though Democrats control the Senate and White House, the typically bipartisan process of negotiating the farm bill - a package passed every five years to fund commodity, conservation, and nutrition programs - often involves compromise.
The dispute over the Inflation Reduction Act money could further delay progress on the overdue bill. The farm bill that was passed in 2018 expired on Sept. 30, and was extended for one year in November's spending deal.
The farm committees are still drafting their versions of the next bill. The climate-friendly agriculture money would go to programs whose demand typically far exceeds their available funds.
For instance, the USDA in 2021 funded 29.9% of applications for its Environmental Quality Incentives Program, which funds practices that increase soil health, reduce erosion and mitigate drought, according to the department's most recent data. That program received nearly $9 billion for Inflation Reduction Act climate-smart farming grants.
Agriculture generates about 10% of U.S. greenhouse gas emissions, from fertilizer application, livestock manure and tilling land for crops, according to the Environmental Protection Agency.

Top News - Metals

Red sea attacks push BHP to divert some shipping via African coast

Australian mining giant BHP Group said on Thursday that the Red Sea disruptions are forcing some of its freight service providers to take alternative routes, such as Africa's Cape of Good Hope, while others still prefer the Red Sea with additional controls.
"The Red Sea is one of the key shipping routes in the world, however, the majority of BHP's shipments do not go through this route," and there have been no major business disruptions so far, the world's largest listed miner said in a statement.
The move follows reports from companies such as oil major BP and Shell that have paused transits through the Red Sea as strikes on commercial vessels by the Iran-aligned Houthis have stymied trade between Europe and Asia. Some shipping companies have instructed vessels to reroute via a slower and more expensive Cape of Good Hope.
Some 320 million tons of bulk commodities sail through the Suez Canal and through the Red Sea, accounting for 7% of global dry bulk trade, Gerard Ang, BHP's head of maritime iron ore, said at an industry conference in Singapore earlier on Thursday.
In the short term, this could lead to a squeeze in tonnage supply in the North Atlantic market which translates to a more volatile, dry bulk market for shipping, Ang added.
The Wall Street Journal earlier reported that BHP is diverting almost all of its shipments from Asia to Europe away from the Red Sea.
The miner, with operations spread across Australia, Chile, Brazil, the U.S. and Canada, primarily produces copper, iron ore and metallurgical coal. It generated $1.96 billion in revenue from Europe in 2023, around 3.6% of its total revenue of $53.82 billion. "From a long-term perspective, we don't really see a big profound impact on the trade," Ang said.

Brazil orders Vale, BHP and Samarco to pay $9.7 bln in damages for dam disaster

A Brazilian federal judge ruled that miners Vale and BHP and their joint venture Samarco must pay 47.6 billion reais ($9.67 billion) in damages for a 2015 tailings dam burst, according to a legal decision on Thursday seen by Reuters.
Vale and BHP said in separate statements they were not informed by the judiciary about the decision. Samarco declined to comment.
The dam collapse in the southeastern city of Mariana caused a giant mudslide that killed 19 people and severely polluted the Rio Doce river, compromising the waterway to its outlet in the Atlantic Ocean.
In the decision, judge Vinicius Cobucci wrote that the amount was fixed taking as a parameter the value of expenses already acknowledged by the companies in repair and compensation actions. He added the 47.6 billion reais need to be adjusted by monetary correction and late payment interest.
It was not immediately clear how much of the total stipulated in the sentence each company owes.
The judge wrote in the legal document that the money would be put in a state fund and used for projects and initiatives area affected by the dam collapse.
The companies can appeal the decision.
In the securities filing, Vale said the Renova foundation, which the companies have been using to pay for some of the repairs, had paid until last December 34.7 billion reais in socioeconomic and environmental compensation.

Top News - Carbon & Power

Offshore wind industry turns out for NY auction as BP and Equinor split

Offshore wind developers submitted revised bids to supply power to New York state on Thursday to cope with soaring costs, with industry heavyweights Equinor and BP saying they would no longer develop projects together.
The closely watched New York solicitation, which allows companies to exit old contracts and re-offer projects at higher prices, comes as the nascent U.S. offshore wind industry warns it cannot complete projects profitably

because of rocketing construction costs, high interest rates and supply chain snags.
The turmoil hit another planned project on Thursday when Denmark's Orsted ORSTED.CO said it was exiting a deal for its Skipjack Wind to supply power to the state of Maryland because the terms were no longer commercially viable.
BP, Equinor and Orsted combined took roughly $5 billion in writedowns on U.S. offshore wind projects because their contracts would not cover their costs.
The development of offshore wind is key to meeting both national and state clean energy targets. To prevent the projects from falling through, states including New York are allowing developers to rebid projects at higher levels.
Norway's Equinor said it had submitted a bid in the solicitation shortly after agreeing to take full ownership of the Empire Wind project from BP, its joint venture partner.
As part of the swap deal, BP took full ownership of another previously joint project, the Beacon Wind development.
Both projects already had contracts to sell power in New York, but they were expected to seek new deals at higher power prices.
"The agreement provides Equinor and BP with the flexibility to pursue their respective priorities under their corporate strategies," Equinor said in a statement.
Equinor submitted a bid for the 810 megawatt (MW) Empire Wind 1, and said it would bid the related 1,200 MW Empire Wind 2 into a future solicitation.
One megawatt of offshore wind can power roughly 500 U.S. homes.
New York agreed to cancel the existing contract agreement with Beacon Wind 1. BP did not specify what its plans were for the project. The British oil major had been pursuing changes to the structure of its deal with Equinor.
"When joint ventures do not go as planned, rather than scrapping the investment that has been made to date, it's like a relationship - the parties divorce," said Brandon Dalling, a partner in King & Spalding's project finance group.
"One party keeps the investment opportunity, re-calibrates and continues on its own or with new interested partners."
Separately, Orsted said it had submitted a bid with its partner, Eversource, for the Sunrise Wind project. If the bid is successful, Orsted plans to acquire Eversource's 50% stake in the project.
New York could name all the bidders on Friday and is expected to announce winners of the solicitation in February.

Qatar informs Spanish power utility Endesa of delay to LNG cargo - sources
Qatar, one of the world's largest liquefied natural gas (LNG) exporters, has notified Spanish power utility Endesa of a delay to an LNG cargo due to the Red Sea conflict, two industry sources told Reuters.
Attacks in the Red Sea by Iranian-backed Houthi militants on shipping vessels are disrupting the transport of goods and commodities to European countries.
Qatar Energy recently decided to taking a longer route via the Cape of Good Hope due to the conflict, and this week informed Edison and other buyers in Europe, as well as

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.85 / bbl	-0.66%	7.26%
NYMEX RBOB Gasoline	$2.28 / gallon	-0.65%	8.07%
ICE Gas Oil	$837.50 / tonne	0.84%	11.56%
NYMEX Natural Gas	$2.62 / mmBtu	1.71%	4.02%
Spot Gold	$2,020.06 / ounce	0.02%	-2.06%
TRPC coal API 2 / Dec, 24	$96.5 / tonne	2.66%	-0.52%
Carbon ECX EUA	€62.70 / tonne	-0.81%	-21.99%
Dutch gas day-ahead (Pre. close)	€26.90 / Mwh	-5.78%	-15.54%
CBOT Corn	$4.59 / bushel	-0.54%	-5.22%
CBOT Wheat	$6.17 / bushel	-0.80%	-3.52%
Malaysia Palm Oil (3M)	RM3,988 / tonne	-0.15%	7.18%
Index	**Close 25 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	312.43	0.54%	3.66%
Rogers International	27.09	0.67%	2.89%
U.S. Stocks - Dow	38,049.13	0.64%	0.95%
U.S. Dollar Index	103.69	0.11%	2.33%
U.S. Bond Index (DJ)	423.22	0.32%	-1.74%

some British terminals where it has long-term capacity, that it will delay or reschedule shipments.
"Qatar told Endesa that there will be a delay with the Al Khor tanker. The delay will be for about 10-12 days," one of the sources said. Al Khor, a 137,354-cubic meter vessel, loaded LNG at Ras Laffan in Qatar on Jan. 20, and is now expected to arrive in Barcelona on Feb. 23 following a more than month-long journey, LSEG data showed. Endesa declined to comment when contacted by Reuters. Qatar Energy did not immediately respond to a Reuters request for comment outside Gulf business hours. It said earlier on Thursday the Red Sea conflict may impact deliveries of some LNG cargoes as they take alternative routes, although shipments are being managed with buyers.
LSEG ship-tracking data show that Qatar has not shipped any LNG cargoes to Europe via the Red Sea since Jan. 14, and that at least five Qatari LNG cargoes heading to Europe are currently taking the long route.Last year, Qatar covered only 3.6% of Spain's gas demand, and the country still enjoys strong inventories and unseasonably warm weather.
"An extended shut-in of the Red Sea route from the Middle East poses a supply risk to Europe, although the price impact will be delayed until Europe’s gas storage has been drawn down sufficiently," said Kaushal Ramesh, vice president at Rystad Energy.
Qatar has not reduced exports to Europe so far and its exports are expected to be a bit higher than the levels seen in November and December, according to Kpler data.

Top News - Dry Freight

South Africa's Richards Bay coal exports hit three-decade low
South Africa's Richards Bay Coal Terminal on Thursday said it exported 47.21 million tons of coal in 2023, down 6.2% year-on-year, the lowest level since 1992 as the country's freight rail crisis continues to throttle mineral shipments.
Transnet, South Africa's state-owned freight rail and port operator, has struggled to haul bulk commodities including coal due to the shortage of locomotives and spares, as well as cable theft and vandalism of its infrastructure.
South Africa's main coal export terminal expects to export 50 million tons of the fossil fuel in 2024, RBCT CEO Alan Waller told a media briefing.Shipments through RBCT declined from 50.35 million tons in 2022 and a recent peak of 76.47 million tons in 2017.
RBCT, owned by 13 coal mining companies including Thungela Resources , Exxaro Resources, Seriti Resources, and Glencore's South African subsidiary, has been operating far below its annual export capacity of 91 million tonnes of coal.
Some companies, such as Thungela have been forced to curb output to match Transnet's constrained capacity.
Transnet says it working to restore its capacity and targets hauling 60 million tons to port this year, but RBCT believes the turnaround will take longer.
"We understand there is a recovery, but it's not necessarily going to be as quick as we think it could be. There is uncertainty still," Waller said.
Asia was once again the main destination for South African coal, accounting for 37.1 million tons or 78.6% of total exports, RBCT data showed. Its share increased from 63% last year, when it imported 31.7 million tons.
Shipments to Europe, which surged in 2022 after the European Union banned coal imports from Russia following its invasion of Ukraine, declined to 6.1 million tons in 2023, from 14.3 million tons the previous year amid a milder than expected winter.

COLUMN -Mexico remains loyal US corn buyer with record haul despite dispute -Braun
The United States has been losing corn export business to Brazil as the South American country continues expanding its output, though top customer Mexico has secured a record volume of U.S. corn for shipment this year.
That is despite an active dispute between the United States and Mexico over Mexico’s proposal to curb genetically modified (GM) corn imports, which if enforced to the most radical extent could severely dent U.S. corn exports.
As of Jan. 18, a record 15.3 million metric tons of U.S. corn were on the books for shipment to Mexico in 2023-24, some 20% more than the date’s previous high set two years ago.
U.S. corn output was record-large in 2023, causing prices to ease and spurring more export demand versus the previous year. However, the U.S. Department of Agriculture’s full-year export forecast for 2023-24, which ends Aug. 31, is middle-of-the-road compared with other recent years.
That forecast of 53.3 million tons should not be controversial since total U.S. corn export sales as of Jan. 18 covered 61% of it, largely average for the date.
Mexico accounts for 47% of those total sales, easily the top buyer with Japan a distant second at 14%.
Mexico’s 47% share of U.S. corn sales is well above recent averages for the date, though the record is 48% at this time a year ago, meaning that Mexico’s heavy booking pace is within historical bounds. Mexico is seen importing a record amount of corn in 2023-24 as consumption expands, and the U.S. is overwhelmingly the top supplier.
Mexico’s large chunk of U.S. sales is aided by the fact that China accounts for just 6% of all U.S. corn sales so far, down from about 17% a year ago and about 28% two years ago. Japan’s 14% is above the recent average but below the pre-2021 levels, before China became a big U.S. corn buyer.
The future of U.S.-Mexico corn trade is uncertain as Mexico in recent years has proposed to ban or limit GM corn imports. GM corn accounts for the vast majority of U.S. production, though the lack of alternative options for Mexico has kept market participants’ concerns at bay.
The United States has challenged Mexico’s efforts under the U.S.-Mexico-Canada Agreement, and a resolution could be reached in March.

BRAZIL'S ROLE

Brazil has been a thorn in the side of U.S. corn exporters, especially after taking over as top global supplier last year, encroaching on traditional U.S. business. U.S. exporters have the proximity advantage with Mexico, though the rise in activity at Brazil's northern ports has made Mexico-Brazil trade increasingly more viable.

But U.S. corn had the advantage in Mexico last calendar year as its 2023 exports to Mexico were up about 18% from the prior year despite a 22% decline in U.S. exports to all destinations.

The opposite was true in Brazil as its 2023 exports were up 29% on the year to a new record, but shipments to Mexico dropped 3% on the year. That could be partially explained by the massive quantity of Brazilian corn claimed by China last year, a volume 14 times larger than in 2022. Lower costs are helping U.S. efforts. In the first quarter of 2023-24 (September-November), the price of exported U.S. corn to Mexico was down 24% from the same period a year earlier, a three-year low for Q1.

Brazil corn shipments will be slowing down in the immediate term as soybeans take priority, and shipping data suggests January corn exports will be notably lighter than last January's record.

Brazil and Argentina also predominantly grow GM corn, so the U.S. will easily remain Mexico's primary source for now, especially given the volume differences.

In 2023, Brazil shipped about 1.67 million tons of corn to Mexico compared with an estimated 18 million tons of U.S. corn shipped there last year.

Picture of the Day

Family members and friends of the victims release balloons as they protest during the fifth anniversary of the Brumadinho dam collapse, in Brumadinho, Minas Gerais state, Brazil, January 25. REUTERS/Washington Alves

(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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

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