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Top News - Oil

EU eyes $100/barrel cap on Russian premium oil products, $45 on discounted

The European Commission is proposing that the EU set a $100 per barrel price cap on premium Russian oil products like diesel and a $45 per barrel cap on discounted products like fuel oil, European Union officials said on Thursday.
The proposal was sent on Thursday to EU governments, whose representatives will discuss it at a meeting on Friday afternoon, with a view to a deal before the price cap on imported Russian oil products is to come into force on Feb 5th, in line with an agreement by G7 countries.
The price cap on Russian oil products follows a $60 per barrel cap imposed on Russian crude on Dec. 5th as G7 countries and the 27-nation EU as a whole seek to limit Russia's revenue from its oil exports without disrupting world supply.
The price caps imposed by the G7 -- the United States, Canada, Japan, Britain, Italy, France and Germany -- and the EU are to curb Moscow's ability to finance its war in Ukraine.
Both price caps work by prohibiting Western insurance and shipping companies from insuring or carrying cargoes of Russian crude and oil products unless they were bought at or below the set price cap.
The $60 per barrel limit on crude is now up for review as the market price has been just below the cap.

Strikes disrupt French fuel deliveries, but participation waning

Protests against French government plans to raise the retirement age had a muted impact on the energy sector on Thursday, the first day of 48-hour strikes, lowering hydropower output and curbing some refinery deliveries.
In electricity, supply from the Belleville 1 nuclear reactor was lowered 1 gigawatt (GW) due to the strike, data from operator EDF showed. Hydropower supply was unaffected after dropping by 1.7 GW earlier, the data showed.
That's compared to a steep fall in power production during a nationwide day of strikes on Jan. 19, when output was down some 6.6 GW, roughly 10% of the country's total, forcing France to import power from neighbours.
Spot electricity prices for Friday rose slightly, as an expected drop in demand and rise in wind supply offset some uncertainty linked to the two-day walk-out call by trade unions.
At oil refineries, strike participation also waned, although deliveries were partially disrupted.
An Elabe poll for BFM showed 72% of the French are against the pension reform. It is too soon to say who will win the showdown between unions and the government.
More than a million people marched through French cities on Jan. 19 in a boon for unions. A second nationwide day of strikes, across all sectors, is planned for Jan. 31.
In the energy sector, unions had previously said they expect industrial action to intensify on Feb. 6, when a 72-hour strike is scheduled to start and possibly be renewed.
Meanwhile, the government, which lacks an absolute majority in parliament, is still not sure it will get all the votes it needs to push through the pension reform from the conservative Les Republicains.

FRONT LINE

Amid a cost-of-living crisis fuelled by inflation, another question is how long and how often workers can afford to strike.
"Oil workers are against this (pension) reform but they don't want to be on the front line," said a CGT union representative for Exxonmobil.
"The goal is to keep pressure on the government and to encourage workers from other sectors to mobilize ... (but there is) nothing spectacular planned at our sites, no well-organized pickets or blockages," the union representative added.
A spokesperson for Esso, whose two French refinery sites are run by ExxonMobil, said only truck loading operations were suspended at Fos, with everything else operating normally.
A union representative added that production at the Port Jerome site was slightly impacted.
TotalEnergies also said fuel shipments were disrupted at its La Mede, Donges, and Normandy sites, but added it continued to make sure petrol stations were supplied. It added its refinery site at Feyzin was not affected.
The strike ended at the Dunkirk site, however, and shipments are expected to resume.
A CGT union representative for TotalEnergies estimated that around 60% of union members were on strike on Thursday across all sites, down from at least 70% last week.
So far, the industrial action has not had a significant impact on wholesale European refined product prices, as the market awaits whether refinery output will be curtailed.
Any disruption to diesel production in Europe would boost prices, especially ahead of a Feb. 5 EU ban on oil products imports from Russia, a major supplier to the continent.

Top News - Agriculture

ADM's earnings top forecasts on strong crush margins, buoyant demand

Archer-Daniels-Midland Co on Thursday said robust soy crushing margins and hefty global demand for crops had propelled the U.S. grains merchant to a record fourth-quarter profit and would keep driving strong results in 2023.

The solid quarterly earnings highlighted how global crop merchants like ADM have weathered rising energy costs and supply chain disruptions such as lower Black Sea grain exports following Russia's invasion of Ukraine.

ADM reported a 46% operating profit jump in its core Ag Services and Oilseeds unit in the quarter ended Dec. 31, more than offsetting lower earnings from ethanol operations and in its high-margin Nutrition segment.

The company's shares were down 0.4% at $85.22 at midday, lagging strength in the broader market in part due to the disappointing Nutrition segment result, which was below the consensus analyst estimate.

ADM and its agribusiness peers make money by processing, trading, and shipping crops around the world. The supply chain middlemen tend to thrive when crises like droughts or war trigger shortages.

"As we look forward to 2023, we expect another very strong year," Chief Executive Juan Luciano said.

"We still see tightness in supply and demand balances in key products and regions," he said, citing reduced Ukrainian grain supplies and smaller harvests in drought-hit Argentina.

Adjusted operating profit in Ag Services and Oilseeds rose as strong South American crop exports and good margins offset reduced U.S. exports and as quarterly oilseed crushing profits more than doubled.

Low water on the Mississippi River last autumn restricted barge shipments of newly harvested crops to U.S. Gulf Coast terminals during the peak post-harvest export season.

ADM's adjusted net fourth-quarter earnings rose to $1.069 billion, or $1.93 per share, from $850 million, or $1.50 a share a year earlier, above the consensus estimate of $1.65 per share, based on Refinitiv data.

COLUMN-Recent bump in U.S. soy bookings eases forward sales pressure -Braun

U.S. soybean exports have been unusually strong so far this month and sales activity has ticked up in recent weeks despite a weaker outlook from the government.

In line with most analyst ideas, the U.S. Department of Agriculture earlier this month reduced domestic 2022-23 export estimates for both soybeans and corn, the latter of which still may disappoint versus expectations.

But soybeans are on a more positive track for now.

As of Jan. 19, U.S. soybean sales for 2022-23 totaled 46.5 million tonnes, up 5% from a year earlier. USDA has soy exports down nearly 8% on the year, meaning sales have some wiggle room.

Cumulative Jan. 19 soybean commitments covered 86% of USDA’s 2022-23 target of 54.2 million tonnes compared with 79% coverage a year earlier, and average is somewhere between the two. But things drastically changed at this time last year when the market realized top exporter Brazil’s crop had run into serious trouble with the drought.

Last year, large daily sales of old-crop soybeans started rolling in at the very end of January. But in the weeks and months before that, many market participants believed the government’s 2021-22 export outlook was a bit aggressive.

Robust sales are not necessarily needed from here as only 7.6 million tonnes stand between Jan. 19 sales and USDA’s full-year forecast. That is well below average and roughly half of what was sold between now and Aug. 31 last year.

Two old-crop soybean sales have flashed so far this week totaling 322,000 tonnes.

CHINA AND ARGENTINA?

Sales to China plus unknown destinations are the third-highest for the date behind 2021 and 2017 and up 20% on the year. This means if many of the unknown sales are to China as is often assumed, Chinese appetite for U.S. soybeans may be better than it has appeared.

Net U.S. soybean sales to unknown destinations in 2022-23 are record-large for the date at 4.6 million tonnes.

Sales to China of 28.2 million tonnes as of Jan. 19 are up 11% from last year.

The crop of Argentina, the No. 3 soybean and top soy product exporter, has been battling drought. The beans remain in tough shape despite recent rains, so if forward weather is disappointing, Argentina could show up in the U.S. market as it did in 2018, also following severe drought.

That would primarily impact 2023-24 sales, as Argentina first started buying new-crop U.S. soybeans in April 2018, then activity dried up by early 2019. The United States shipped a record 2 million tonnes of soybeans to Argentina in 2018-19, following an also-rare 200,000 tonnes in 2017-18.

However, Brazil earlier this month reported “atypical” sales of soybeans to Argentina for shipment early this year, potentially lowering U.S. hopes. Brazil had a strong, record bean crop in early 2018 and shipped a record 657,000 tonnes to Argentina that calendar year.

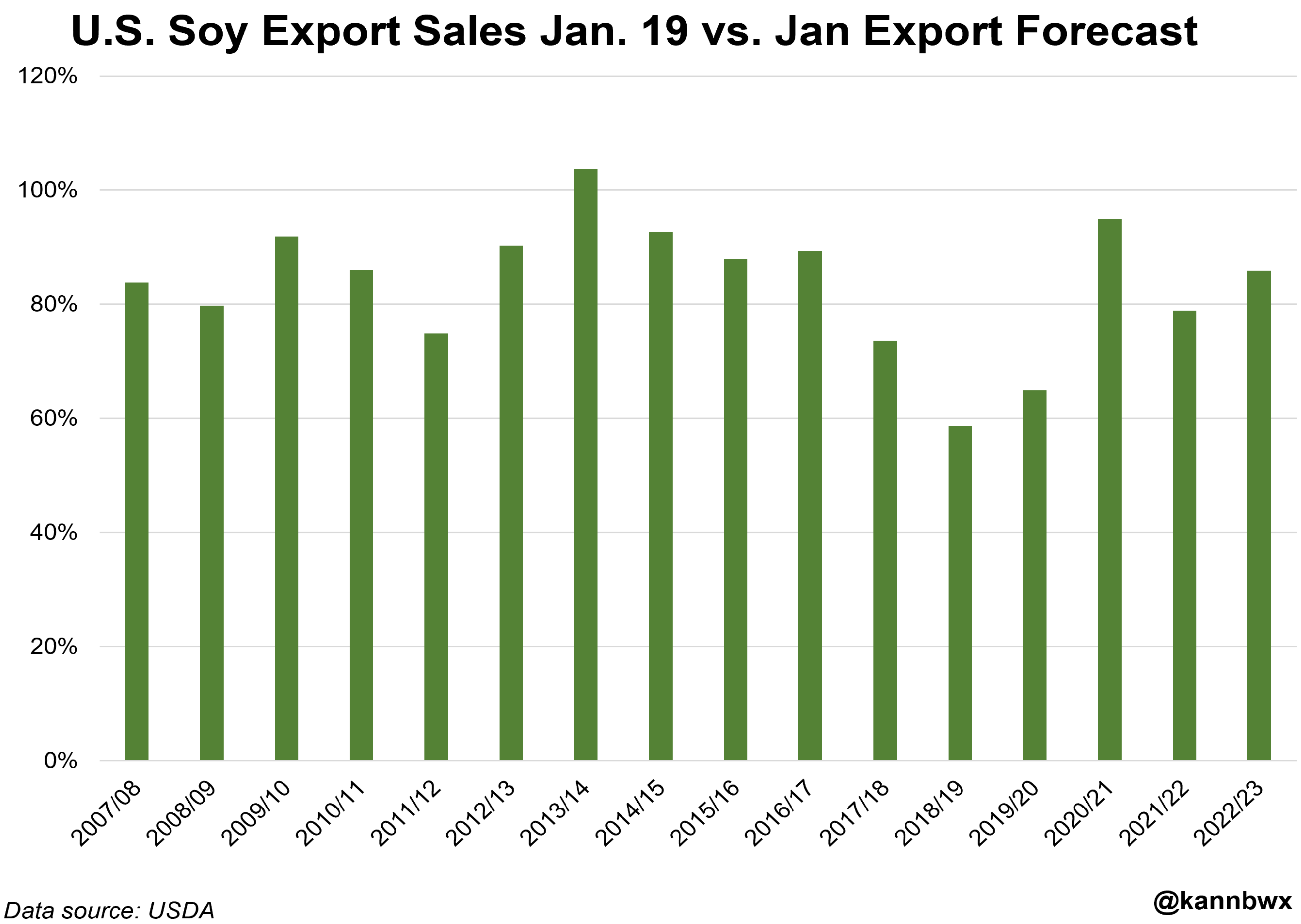
NEW CROP

USDA on Thursday flashed an export sale of 106,000 tonnes of new-crop U.S. soybeans to China, the first for 2023-24 explicitly to China. Some 129,000 tonnes had been sold to China in the week ended Jan. 19, revealed in Thursday’s weekly export sales. January is a normal time for new-crop bean sales to start up, though the pace is well below average.

Only 431,000 tonnes of 2023-24 U.S. beans were on the books as of Jan. 19 to China and unknown destinations combined, the lowest for the date since 2020. China was notoriously quiet three years ago until bookings exploded in June and July, helping the CBOT futures rally kick off shortly afterward.

CORN
As of Jan. 19, U.S. corn sales for export in 2022-23 covered only 49% of USDA's recently lowered outlook of 48.9 million tonnes. Average is closer to 60%.
Typically between 35-40% of the year's corn sales occur between Jan. 19 and the end of the marketing year on Aug. 31, implying that above-average volumes are needed from here to satisfy export targets.
Heavier Chinese purchases as were observed in the last two years have been elusive, and current export ideas are likely still too optimistic without them. But some market-watchers remain hopeful that China is not yet done in the U.S. market.
I asked my Twitter followers on Thursday if they thought China has yet to make significant purchases of U.S. corn for 2022-23. Early in voting, two-thirds of more than 300 participants said Chinese buying is still on the table.
China's newly established interest in Brazil's corn market is well known now, but the impact on U.S. imports is not. Brazil's expected January corn exports are nearly double the month's three-year average, and China is seen turning to Brazil for a substantial amount of its corn needs going forward.
Chinese corn futures are currently higher than a year ago but even with the January 2021 levels.

Chart of the Day



Top News - Metals

Fortescue sees solid rebound in China after strong Q2

Australia's Fortescue Metals Group on Friday confirmed its delayed Iron Bridge project was set to begin production at the end of the March quarter, and said it is expecting a solid economic rebound in China, its top iron ore customer.

Founder and Executive Chairman Andrew Forrest said Chinese businesses, large and small, were eagre to invest and hire workers again, ramping up after the world's no.2 economy eased COVID-19 curbs.

"You can pick holes in it. But generally, it will be a very major growth centre and absorb huge amounts of commodities from around the world as its people really want to get back on track," Forrest said in a quarterly call, updating analysts on production and the company's projects.

The world's No. 4 iron ore miner reported a 4% jump in shipments in the December quarter on a year earlier to 49.4 million tonnes, underpinned by strength across its key Western Australia operations, beating analysts' forecasts and posting a record for the half year.

Fortescue's shares rose as much as 3.4% after the quarterly report, but last traded flat at $22.48.

The Iron Bridge project in WA's Pilbara region will allow Fortescue to blend high-grade output from the project with its typically lower grade ore, raising average quality above 60%, making it more competitive with with larger rivals BHP Group and Rio Tinto.

Forrest highlighted the company aims to rapidly develop the Belinga iron ore project in Gabon, with initial drilling due to start in March.

"We're very excited about getting this into production quickly," Forrest told analysts.

Executives said there was strong support from the Gabonese government for the project.

"They'd like to see us to get into production, even if it's just utilising their existing rail system and cutting a haul road to it," Forrest said, adding, however, that the African rail line would not be as efficient as its Australian operations.

U.S. bans mining in parts of Minnesota, dealing latest blow to Antofagasta's copper project

The U.S. Interior Department on Thursday blocked mining in part of northeast Minnesota for 20 years, the latest blow to Antofagasta Plc's Twin Metals copper and nickel mining project but a step officials said is needed to protect the state's vast network of interconnected waterways.

The decision further escalates the U.S. tension over where and how to procure the minerals crucial for the green energy transition. Copper and nickel are used to build electric vehicles, solar panels, wind turbines and other renewable energy devices.

While Congress and President Joe Biden have heavily subsidized mining and minerals processing, administration officials said the risk from a mine to northern Minnesota's ecology was too great.

"With an eye toward protecting this special place for future generations, I have made this decision using the best available science and extensive public input," said Interior Secretary Deb Haaland, who signed an order on Thursday morning withdrawing 225,504 acres in the Superior National Forest from leasing to mining or geothermal companies through 2043.

Chile-based Antofagasta's Twin Metals subsidiary said it was "deeply disappointed and stunned" by the move and that it remains committed to protecting its rights to access the mineral deposit.

The region is visited each year by more than 150,000 outdoor enthusiasts, many of whom have long feared that any mine disaster could pollute rivers and quickly spread through the 1.1 million acres of the Boundary Waters Canoe Area Wilderness and into the Great Lakes.

The underground Twin Metals mine would, if built, be a major U.S. source of copper and nickel. The only existing U.S. nickel mine is set to close by 2025.

Haaland's decision, which had been expected, came after U.S. officials canceled the Twin Metals leases last January and rejected the mine's plan of operations, steps that essentially killed the project.

Antofagasta sued last August, claiming the decision was "arbitrary and capricious." The leases were first granted in 1966 and have been passed between successor companies. No mining has taken place at the site, near the town of Ely. Thursday's move deals another roadblock to the project, regardless of the court's decision.

Republicans blasted the decision. "If Democrats were serious about developing renewable energy sources and breaking China's stranglehold on the global market, they would be flinging open the doors to responsible mineral development here in the U.S.," said Representative Pete Stauber, chairman of the House Committee on Natural Resources.

Administration officials said they do not believe blocking the Twin Metals project shows they do not support mining. "The department sees the value in critical minerals and their critical importance to the future of this country," an Interior Department official said.

'IRREPARABLE HARM'

Antofagasta has long said it would use the most-advanced equipment to protect the environment, but officials noted other recent mining disasters as evidence of "irreparable harm" should the company's efforts fail.

Administration officials added they believed the region's economy would benefit more from recreational activity than mining.

The officials said it was unclear whether future administrations could reverse the 20-year decision. Only Congress can make the ban permanent.
"You don't allow America's most toxic industry next to America's most popular wilderness," said Becky Rom of the Campaign to Save the Boundary Waters in response to Haaland's move.

The mineral withdrawal does not affect Minnesota taconite iron ore mines operated by U.S. Steel, ArcelorMittal SA and Cleveland-Cliffs Inc.
The order also does not affect a proposed nickel mine from Talon Metals Corp, which last year received funding from the Biden administration, nor PolyMet Mining Corp's plans to build a copper and nickel mine in the state.

Top News - Carbon & Power

EXCLUSIVE-Baltic states bought twice as much Russian LPG last year – traders

Russian exporters more than doubled sales of liquefied petroleum gas to the Baltic states in 2022, some of which was sold on to Ukraine, according to data from three trading and freight-handling sources covering the region.
The leap in purchases of Russian LPG came despite sharp condemnation of Moscow's actions in Ukraine from the three Baltic states, all NATO and European Union members, as Europe struggles to find fresh sources of the fuel in a tight global market.
LPG, which is mainly used as fuel for cars, heating and to produce other petrochemicals, has been exempt from sweeping Western sanctions imposed against Russia over Ukraine.
According to Reuters calculations based on data collected from the three traders and freight handlers covering the region, Russia boosted LPG combined sales to Latvia, Lithuania and Estonia to 331,000 tonnes from 159,000 tonnes in 2022.
The increase came as Ukraine and some other countries refused to buy the Russia-sourced fuel directly.
Russian LPG sales to Latvia rose by 77% to 232,000 tonnes, while supplies to Lithuania jumped 8.5 times to 72,000 tonnes and sales to Estonia increased by 42% to 27,000 tonnes last year, according to the data and Reuters calculations.

MARKET MONITOR as of 07:17 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.17 / bbl	0.20%	1.13%
NYMEX RBOB Gasoline	$2.63 / gallon	0.44%	6.04%
ICE Gas Oil	$969.00 / tonne	0.39%	5.21%
NYMEX Natural Gas	$2.88 / mmBtu	-2.14%	-35.62%
Spot Gold	$1,923.82 / ounce	-0.27%	5.45%
TRPC coal API 2 / Dec, 23	$162.5 / tonne	-1.81%	-12.04%
Carbon ECX EUA / Dec, 24	€92.92 / tonne	-0.36%	5.59%
Dutch gas day-ahead (Pre. close)	€57.00 / Mwh	-0.18%	-24.57%
CBOT Corn	$6.83 / bushel	0.00%	0.59%
CBOT Wheat	$7.48 / bushel	-0.56%	-4.99%
Malaysia Palm Oil (3M)	RM3,858 / tonne	2.04%	-7.57%
Index (Total Return)	**Close 26 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	304.32	0.76%	0.99%
Rogers International	28.71	1.09%	0.14%
U.S. Stocks - Dow	33,949.41	0.61%	2.42%
U.S. Dollar Index	101.84	0.19%	-1.63%
U.S. Bond Index (DJ)	410.72	-0.02%	4.67%

The energy ministries of Latvia and Estonia did not respond to requests for comment on the data. The Lithuanian ministry declined to comment.
Russia's relations with the Baltic states have worsened sharply since Moscow launched what it calls its "special military operation" in Ukraine last February. Russia and Estonia expelled each other's ambassadors on Tuesday, and Latvia also downgraded relations with Russia.
According to the data, Russian LPG supplies to Latvia accounted for 90% of the country's total LPG imports in 2022, while Lithuania got half of its intake from Russia and the rest from Latvia.
Traders said excess volumes of LPG had been sold on from the Baltics to Ukraine in recent months. They said Latvia and Lithuania supplied some 15,000 tonnes to Ukraine in December alone, accounting for 15% of Ukraine's total LPG imports that month.
They said LPG from Russia is much cheaper than supplies from other countries such as Poland and Romania, as export options have been limited since Russia entered Ukraine.
"Ukrainian companies buy propane-butane (LPG) from Lithuania and Latvia, which is with high probability of Russian origin. However, the price difference of $150-$200 per tonne in comparison with Poland and Romania allows (them) to turn a blind eye to the country of origin," a trader covering the Baltic states said.
He added that there is no official Ukrainian ban on importing Russian LPG. Ukraine's energy ministry did not comment when contacted by Reuters.
Other traders said that Ukraine also buys LPG directly from Lithuania's Mazeikiu Nafta plant, which is owned by Poland's Orlen, though its total share in fuel supplies to Ukraine is relatively small.

Full EDF takeover suspended by market watchdog pending minority shareholder lawsuit
The AMF market watchdog has put the French state's full takeover of energy giant EDF on hold until a Paris court decides on the merits of a lawsuit challenging the deal brought by minority shareholders, EDF confirmed on Thursday.
The French government, which intends to fully nationalise its debt-laden nuclear champion, last Friday cleared the bar needed for triggering squeeze-out proceedings when it announced it controls around 93% of voting rights, but later said it would not push ahead with the buyout until the court ruling.
EDF on Thursday confirmed this decision in a press release, saying it had decided on Wednesday that the buyout would be closed until the ruling, expected by May 2.
However, this does not affect any of EDF's activities in the near-term, an industry source said.
For example, a final investment decision on the Sizewell C reactor is still expected at the end of the year.
The state had committed to proceed with the squeeze-out should the court clear the deal, and to return securities acquired through the bid so far if minority shareholders win their bid to cancel the deal, EDF said.
"In the event that the French State decides to file an amended draft simplified public tender offer ... at a more favourable price as a result and following the decision of the Paris Court of Appeal, to pay an additional price to shareholders and/or holders of OCEANEs [bonds]", it said.
The group of minority shareholders which brought the case argued the price offered to EDF shareholders was too low.
The government last year offered minority shareholders 12 euros per share, still a 53% premium to the company's trading value at the time after EDF had suffered various setbacks including unplanned reactor outages, delays and cost overruns in building new plants, and government-imposed power tariff caps.

Top News - Dry Freight

South Africa's RBCT coal exports hit 29-year low in 2022
Coal exports from South Africa's Richards Bay Coal Terminal (RBCT) hit their lowest level since 1993 last year, at 50.35 million tonnes, reflecting a lack of trains to carry coal from mines to port.
However, exports to Europe from Africa's largest coal export facility showed a more than six-fold increase to 14.3 million tonnes from 2.3 million tonnes in 2021, RBCT said on Thursday, as European countries scrambled to secure alternatives to Russian supply.
RBCT, owned by 13 coal mining companies including Thungela, 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.
The terminal, which can only accept coal via train, saw an average of 18 trains a day in 2022, against a capacity of 32 a day. As South Africa's rail service deteriorated, some coal miners last year opted to truck their product to port instead.
RBCT chief executive Alan Waller told a media briefing that a 12-day strike at Transnet in October and a derailment of 97 wagons of a train that blocked the coal line for 10 days in November had stopped the export of an estimated 5 million tonnes from the terminal.
The terminal has a target to export 60 million tonnes in 2023, Waller added.

Poor maintenance, a lack of spare parts for locomotives, and massive copper cable theft have disrupted state logistics firm Transnet's freight rail services, causing coal and iron ore exports to fall in recent years.
Asia's share of RBCT's coal exports fell in 2022, with 31.7 million tonnes of coal going to the region, down from 50.7 million tonnes the previous year. Some 15.51 million tonnes went to India, down from 24.1 million tonnes in 2021.

South Korea's NOFI buys 11,000 tonnes U.S. feed wheat in private deal- traders
Leading South Korea's animal feed maker Nonghyup Feed Inc. (NOFI) purchased around 11,000 tonnes of animal feed wheat expected to be sourced from the United States in a private deal on Thursday after earlier making no purchase in an international tender for feed wheat, European traders said.
Price in the private deal was estimated at $350 a tonne c&f for unloading in one port.
It was for shipment from the U.S. Pacific Northwest coast between March 10-March 30 for arrival in South Korea in April. Seller was believed to be trading house Agrocorp.
Lowest offer in an international tender earlier on Thursday for 20,000 tonnes of feed wheat was believed to be $351.50 a tonne c&f plus a $1.75 a tonne surcharge for additional port unloading also for April arrival in South Korea.

Picture of the Day

A view from a ferry shows the refinery of Cepsa at Cepsa Energy Park in San Roque and the Cargo ship Aristo docked near Algeciras, 2023. REUTERS/Jon Nazca

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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

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