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Top News - Oil

Russia's Sechin says Europe no longer sets Urals price

Europe will no longer set the reference price for Russia's flagship Urals crude, Igor Sechin, the CEO of Russia's oil major Rosneft said on Monday, now Asia has emerged at the largest buyer of Russian oil since the West placed it under sanctions.

Around 70% of January-loading cargoes of Russian Urals oil is destined to India, according to traders' preliminary data and Reuters calculations. The country has been a leading buyer of the Russian grade for several months, filling the void left by European buyers.

At the same time, Russia has become the largest supplier of oil to India, replacing Iraq.

Speaking at an energy conference in India, Sechin, a long -standing ally of Russian President Vladimir Putin, said the Russian oil price would be established outside Europe.

"If Russian oil does not enter the European market, then there is no reference price. Reference prices will be formed where oil volumes actually go," said Sechin, who is also known as the "Russian oil tsar".

He also quoted from the Bible to underline his point.

"As it's scripted in Ecclesiastes: what is crooked cannot be straightened; what is lacking cannot be counted."

Since Russia invaded Ukraine almost a year ago, the West has progressively tightened sanctions on Russian oil.

In December, the Group of Seven, the European Union and Australia enforced a price cap on crude oil at $60 per barrel, aiming to reduce Moscow's ability to finance its military efforts in Ukraine and preserve stability on the global oil market.

The European Union has also banned purchases of Russian oil supplied in tankers by sea.

According to Russia's Finance Ministry, the average price of Russian Urals oil in January was $49.48 a barrel down 42% on January 2022.

The Russian government has debated how to calculate Russia's taxable oil price following the EU's import ban and the lack of a reliable price-making mechanism.

Moscow relies on income from oil and gas - last year around 11.6 trillion roubles ($165 billion) - to fund its budget spending, and has been forced to start selling international reserves to cover a deficit stretched by the cost of its military operation in Ukraine.

When asked if Russia will give an additional stake to ONGC Videsh or other Indian companies in its Sakhalin-1 project, Sechin told Reuters on the sidelines of the Indian Energy Week conference that the decision to do so lay with the Russian government.

Russia last year approved the requests of ONGC Videsh, the overseas investment arm of state-run Oil and Natural Gas Corp, and Sakhalin Oil and Gas Development Co (SODECO), a consortium of Japanese firms, to retain their 20% and 30% stake respectively in the project.

SK Innovation expects 2023 refining margin to be solid, backed by China demand

South Korean energy group SK Innovation Co Ltd said on Tuesday that it would focus spending on growing its electric vehicles (EV) battery business this year, even though it was taking longer than expected to turn a profit.

The owner of South Korea's top refiner SK Energy said it had a capital spending budget of about 10 trillion won ($7.98 billion) this year, up from about 6 trillion won last year, with 70% allocated for batteries as it looked to ramp up production at factories abroad.

The company is boosting its exposure to the EV battery market as it bets on a faster-than-expected electrification of cars, with battery unit SK On accounting for 15% of revenue in the fourth quarter. Battery customers include Ford Motor Co, Hyundai Motor and Volkswagen AG.

SK posted an operating loss of 683 billion won for the three months ended Dec. 31 amid lower oil prices that narrowed margins, compared with a loss of 62 billion won a year earlier.

Fourth-quarter revenue rose 40% to 19 trillion won, slightly missing an average analyst estimate of 20 trillion won, according to Refinitiv SmartEstimate.

SK shares were 3% lower in early afternoon trade, versus a 0.6% rise in the broader KOSPI, which analysts attributed to disappointment over the battery unit's financial performance.

BATTERY LOSSES

The battery business was loss-making in 2022 amid headwinds from a global chip shortage, raw material price hikes, rising labour costs, unfavourable exchange rates and delayed production ramp-ups at Hungary and U.S. factories, SK On Chief Financial Officer Kim Kyunghun said in a post-earnings conference call.

Last July, the company had forecast its battery business would break even by the end of 2022.

Kim forecast the battery business would turn a profit in 2024 as it leveraged its bargaining power with automaker customers.

SK On raised 2.8 trillion won from parent SK Innovation and 800 billion won from financial investors including Korea Investment Private Equity in December, and Kim said it would consider attracting more financial investors.

"There has been growing interest among investors in battery firms targeting the U.S. market because of the

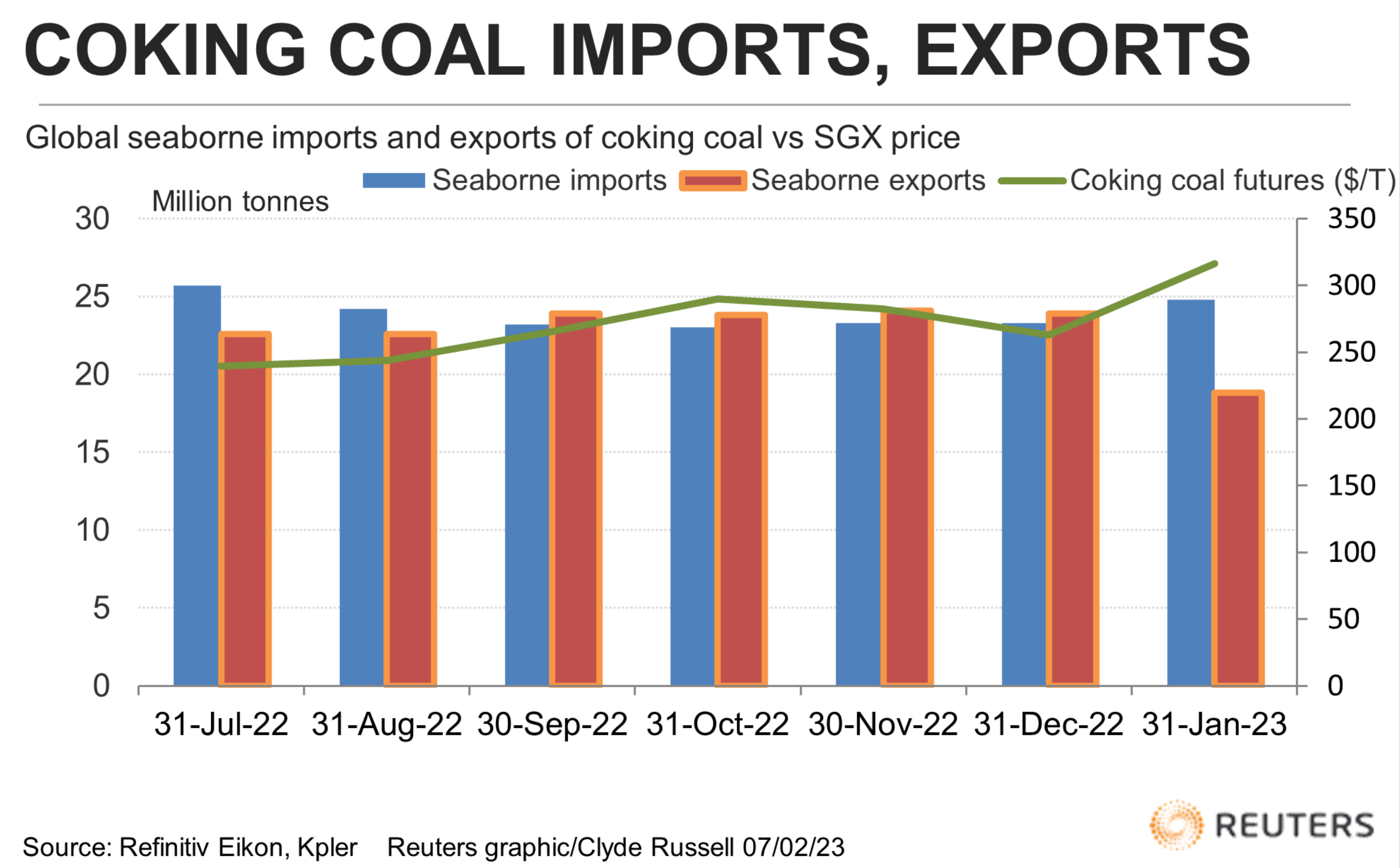
U.S. government's EV subsidy policy," said Cho Hyunryul, a senior analyst at Samsung Securities. "That is positive for SK On's efforts to attract financial investors to fund its expansion."
SK, which has a total refining capacity of 1.115 million barrels per day at its plants in Ulsan and Incheon, said it expected its refining margin this year would be solid as COVID-19 retreats and China's demand recovers.
It had operated its facilities at 71% of capacity on average in the fourth quarter, down from 85% in the third quarter, which analysts attributed to worsening market conditions.
Peer S-Oil Corp, whose main shareholder is Saudi Aramco, said last week that Asia's regional refining margins were expected to remain elevated in 2023 over pre-2022 levels amid ongoing refinery shortages, despite demand growth woes.

Top News - Agriculture

Indonesia to review its palm oil export quota ratio - ministry
Indonesia will review the ratio of its palm oil export quota amid rising prices of domestic cooking oil, the Coordinating Ministry of Maritime and Investment Affairs said.
Indonesia imposes a so-called Domestic Market Obligation (DMO) on palm oil whereby companies are allowed to export only after they have sold a portion of their production at home.
The government regulates the price for palm oil sold under the DMO scheme and the products are supplied for use in a cheap cooking oil programme. Authorities would also review the price set for the DMO, the statement issued late on Monday said.
Indonesia currently allows companies to export six times the volume they have sold to the domestic market.
Indonesia, the world's top palm oil producer, would suspend some existing palm oil export permits until the end of April, officials said on Monday, as exporters had accumulated large quotas for shipments from late last year.
However, authorities said companies could get additional export quotas if they supply the domestic market.

COLUMN-U.S. soybean exports erupt ahead of Brazil’s massive, but slower harvest -Braun
After a slower start to the season, U.S. soybean exports have taken off over the last month or so even as top exporter Brazil is in the early stages of collecting its record harvest.
In the week ended Feb. 2, some 1.83 million tonnes of U.S. soybeans were inspected for export, the fourth consecutive week of well above average volumes.
Export inspections, a proxy for actual exports, totaled a preliminary 8.2 million tonnes in January 2023 compared with 6.5 million a year ago and 8.9 million in January 2021.
January 2021 holds the month’s official export record of 9.03 million tonnes according to the U.S. Census Bureau, and last month is likely to come in second place. January 2022 soy shipments totaled 6.4 million tonnes, a couple of cargoes above the five-year average.
Last month’s exports follow a decent December showing with U.S. soy inspections of 8.07 million tonnes, up 4% on the year and possibly good for the month’s second-best performance after 2020. Official December data will be published on Tuesday morning.
U.S. soy export sales were decent last month as Brazilian farmers have been stingy sellers of their huge impending harvest. In the last couple of weeks, rains have delayed the Brazilian harvest to only 9% or 10% complete as of this weekend compared with as much as 20% a year ago.
Heavier rains in the next week may keep progress slower in Brazil’s central soy belt, though a drier trend to the north and south could accelerate activity there. However, the rainy weather has increased both soy rust cases and fungicide bills, and those unexpectedly higher costs could potentially encourage Brazilian farmers to continue hoarding crops.
Even if U.S. soybean sales die down, overall bookings are heavy enough to support at least moderate bean shipments in the near term, especially amid weaker corn volumes. Some 11.7 million tonnes of U.S. beans sold for export in 2022-23 were unshipped as of Jan. 26, among the most ever for the date.
About 75% of all soy commitments had been shipped as of Jan. 26 versus 80% or better in the last three years.
Trade estimates ahead of the U.S. Department of Agriculture’s Wednesday supply and demand report suggest analysts are mostly content with the agency’s latest forecast for 2022-23 U.S. soybean exports of 1.99 billion bushels (54.2 million tonnes).
U.S. soybean ending stocks on average are pegged at 211 million bushels, essentially unchanged from USDA’s January outlook of 210 million. Of the 19 analysts polled, four see stocks lower than last month, six see them higher, and the rest are unchanged or within a few million.

Chart of the Day



Top News - Metals

Newmont open to sweetening $16.9 bln bid for gold rival Newcrest -source

U.S.-based Newmont Corp is open to slightly increasing its $16.9 billion offer for Newcrest Mining Ltd, according to a source familiar with management's thinking, amid concerns its current bid is too low after recent leadership changes at the Australian company.

Already the world's largest gold producer by market value and ounces produced, Newmont would become a gold mining behemoth should it prevail in its bid for Newcrest. The newly combined company would produce nearly twice as much of the yellow metal as closest rival Barrick Gold Corp.

News of the deal leaked early Monday in Australia before Newmont had a chance to do full due diligence, but the company is convinced the tie-up would be successful, according to the source. Newmont would be willing to slightly increase its offer and is not worried about being outbid, the source added.

Shares of Newmont fell 4.5% to close Monday at $47.60. Analysts at Jefferies cut their target on Denver-based Newmont by 12% to $50 on the prospects of a bidding war.

Flossbach von Storch, the Germany-based asset manager and Newmont's eighth-largest shareholder, agreed that the two companies would fit well together but said that it was not in favor of Newmont increasing its bid. "We don't want to see big premiums paid," Simon Jäger, investment manager at Flossbach von Storch, told Reuters, adding he expects a "disciplined" approach towards M&A from Newmont.

Newcrest is seeking a replacement for former Chief Executive Officer Sandeep Biswas, who stepped down in December. In the meantime, the outlook for gold prices is improving on expectations that global interest rates will peak this year and then turn down.

If successful, the all-share deal would be the largest mining takeover and the third-largest corporate buyout in Australian history, according to Refinitiv data.
Newcrest, which was spun out of Newmont in the 1990s, has said it is considering the proposal. Newmont described the combination as "a powerful value proposition" but has said little else publicly.
The initial feedback from Newcrest shareholders, though, is that they want a higher price, according to a person familiar with Newcrest's deliberations.
"A good litmus test for a reasonably-priced deal is one where both seller and buyer feel somewhat aggrieved by selling out too low or by paying too much," said Simon Mawhinney, chief investment officer at Allan Gray, Newcrest's largest shareholder with a 7.4% stake. "It's not clear to me that this kind of symmetry exists with these deal terms."
Newcrest shares surged on Monday as much as 14.4% to A$25.60, the highest since May 2022, but remained below the implied offer price of $27.16. Shares closed 9.3% higher at A$24.53.
The indicative offer implies a 21% premium to Newcrest's share price before the bid was announced, materially below the traditional 30% takeover premium, Morningstar analyst Jon Mills wrote in a note to clients. Mills values Newcrest at about A$31 per share.
Newcrest's operations include its top-class Cadia asset in Australia, an expanding footprint in North America and Papua New Guinea, and growth potential in copper, highly prized as key to the world's energy transition.
Newcrest shareholders would receive 0.38 Newmont shares for every Newcrest share, giving them a 30% stake in the enlarged miner. It is a 4.7% improvement from a previous offer that was rejected for not providing enough value, Newcrest disclosed on Monday.
Newmont itself fended off an $18 billion hostile bid from Barrick in 2019.

LEADERSHIP TURNOVER
Newcrest is expected to announce a new CEO this year after Biswas announced his retirement after eight years.
Sherry Duhe, who joined Newcrest in February 2022 and had served as its chief financial officer, is the interim CEO while a global internal and external search for a replacement is underway.
Newcrest has been viewed as a target in recent years given its middling performance, but only a handful of buyers are big enough to take it out, said an investment banker who was not authorized to speak publicly about the matter.
The all-share nature of the offer meant the timing is more likely to be linked to Newcrest's leadership vulnerability than a big call on the gold price, but it probably also reflects a constructive view on the precious metal, the banker added.
Newmont peer Sibanye-Stillwater Ltd CEO Neal Froneman told Reuters on Monday he was not interested in bidding for a gold company and would focus on building a "geographically diverse green metals company."
Gold prices fell to two-and-a-half-year lows around $1,615 an ounce last autumn as rising interest rates pushed up bond yields and strengthened the dollar, making gold less attractive to investors.
Prices have since recovered to over $1,850 as markets anticipate the end of rate increases, but most analysts expect gold price gains to be limited while borrowing costs remain high.

COLUMN-Coking coal price surge backed by demand as supply woes add froth: Russell
The price of coking coal has surged to a seven-month high, but the question is whether the rally in the fuel used to make steel is down to an improving economic outlook, or whether supply issues in top exporter Australia are to blame.
The price of Singapore-traded contracts linked to the spot price of Australian coking coal ended at $345.67 a tonne on Monday, just below the $348.00 reached on Feb. 3, which was the most since July 1 last year.
The price has jumped 70.3% since the 2022 low of $203.00 a tonne, reached on Aug. 1 amid concern that the global economy was heading into a recession in the wake of the surge in energy costs sparked by Russia's invasion of Ukraine on Feb. 24.
Since that low, some optimism has crept back into the market that the global economy will avoid a deep recession, and that China, the world's largest steel producer, will roar back to life in 2023 after ending its strict zero-COVID policy, which had crimped growth.
Coking coal prices, along with those for iron ore, have rallied on the back of this optimism, with both steel raw materials recording strong gains this year.
Spot benchmark 62% iron ore for delivery to north Asia, as assessed by commodity price reporting agency Argus, ended at $124.60 a tonne on Monday, down from the almost eight-month high of $129.50 on Jan. 30, but still up 57.7% from the 2022 low of $70.00 on Oct. 31.
The question is whether there are any fundamental data to back up the recent gains in prices.
The answer is that for coking coal there appears to be both rising demand and some supply disruptions at work.
Global coking coal imports from the seaborne market rose to 24.84 million tonnes in January, the highest since July, according to data compiled by commodity analysts Kpler.
India, the top seaborne importer of coking coal, landed 6.06 million tonnes in January, largely steady from December's 6.25 million, but up from 4.98 million in January last year.
Japan, the second-biggest buyer of seaborne coking coal, imported 5.01 million tonnes in January, up from December's 3.98 million and roughly level with last January's 5.08 million.
Although China is the world's biggest coal importer, it buys mainly thermal coal from the seaborne market as it

sources the majority of its coking coal from domestic mines and overland from neighbouring Mongolia. Nonetheless, China's seaborne imports of coking coal rose to 2.54 million tonnes in January, up from December's 2.30 million and only slightly below the 2.60 million from January 2022. Outside of Asia, Europe's imports of coking coal rose to 3.81 million tonnes in January from December's 3.55 million, according to Kpler. The overall picture from coking coal imports is that there has been a move higher in recent months, which does provide some fundamental backing to the rally in prices.

AUSTRALIA SUPPLY

On the supply side, there are some signs of stress in the seaborne market, with January exports dropping sharply to 18.82 million tonnes from December's 23.92 million. This was largely because of a slump in Australia's shipments to 11.54 million tonnes in January, down from December's 14.30 million, although it's worth noting that U.S. exports also dropped to 582,157 tonnes in January from 1.53 million in December.

Australia's shipments have been disrupted by heavy rains in the coal-mining eastern states of Queensland and New South Wales, as well as the closure of a key railway line following a collision.

The Blackwater railway to the port of Gladstone is scheduled to re-open on Feb. 9, which would be a disruption of 11 days of a line that delivers around 50 million tonnes of coal annually.

Putting together the increased imports of coking coal and the supply disruption in Australia and a picture emerges of rising demand driving prices, with supply concerns currently a likely temporary froth on top.

Top News - Carbon & Power

Russia's Novatek in talks with Indian companies on LNG, may consider rupees

Novatek, Russia's largest liquefied natural gas producer, has been in talks with Indian companies including GAIL on the supply of LNG and may consider taking payments in rupees, the company's head Leonid Mikhelson said on Monday.

He also said consumers in Europe, which have imposed sanctions on Russia over its actions in Ukraine, were interested in Russian LNG, which has not been placed under restrictions, and that no buyers under long-term contracts wanted to terminate them.

Russia supplied Europe with some 17 million tonnes of LNG last year, up about 20% from 2021 volumes, Refinitiv Eikon data showed on Tuesday, mitigating the impact of a steep decline in Russian pipeline gas exports.

Europe has increased imports of seaborne LNG - gas transported in liquid form at minus 160 degrees Celsius (minus 256 Fahrenheit) - in response to the cut in pipeline gas supplies from Russia caused by a deep political crisis over Ukraine.

Three industry sources said last week that Novatek was close to a deal to supply gas to GAIL as it seeks alternative markets to Europe.

Mikhelson said Novatek was talking to more than one Indian company on a long-term contract for Indian market.

"Definitely we have plans... we have engineering companies present in India, we need to expand and grow in that part. We would like to invest in promotion of demand, and regasification terminals and LNG retail stations," Mikhelson said.

Asked whether Indian rupees would be considered as a means of payment from Indian customers, he said they would.

He also said LNG production at the Yamal LNG plant would be 5% less this year than in 2022 due to delays in maintenance.

EU lawmakers to vote next week on early CO2 market auctions

European Union lawmakers will vote next week on plans to auction carbon permits early to raise cash for countries to quit Russian gas, soothing concerns of a postponed vote that some analysts said helped to drive up carbon prices last week.

An EU official told Reuters the European Parliament vote is scheduled for Tuesday on the legislation to raise 20 billion euros ($21.5 billion) from the EU carbon market, partly by holding carbon permit sales earlier than planned.

The plan aims to raise extra funding for countries to spend on expanding renewable energy and energy-saving renovations to help replace Russian gas, and projects to help heavy industry decarbonise.

The rules were agreed last year by negotiators from EU countries and lawmakers, so Tuesday's vote is a formality, expected to greenlight the deal with no changes. EU country ministers are also expected to okay the deal this month.

The early CO2 auctions cannot began until the rules are formally approved.

Carbon prices shot up to near record highs above 97 euros per tonne last week - a move some analysts attributed partly to concerns among market participants that the vote would be delayed to April.

That could have pushed back the first auctions to July, and seen only 40 million to 45 million extra CO2 permits made available to the market this year instead of the 65 million expected if auctions launch earlier, analysts at Energy Aspects said.

Bidding by speculators also helped drive prices higher last week, Energy Aspects said.
Benchmark EU carbon permits were trading around 92.20 euros per tonne of CO2 on Monday, down 1% from Friday.
The EU carbon market forces power plants and factories to buy CO2 permits when they pollute, and is the bloc's core policy for cutting carbon emissions.

The EU also agreed a major carbon market reform last year, which is expected to increase CO2 prices this decade to incentivise faster emissions cuts. EU lawmakers are expected to greenlight those reforms in April.

MARKET MONITOR as of 07:20 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$75.25 / bbl	1.54%	-6.24%
NYMEX RBOB Gasoline	$2.59 / gallon	1.36%	4.43%
ICE Gas Oil	$812.25 / tonne	3.90%	-11.81%
NYMEX Natural Gas	$2.47 / mmBtu	0.65%	-44.74%
Spot Gold	$1,873.71 / ounce	0.34%	2.70%
TRPC coal API 2 / Dec, 23	$153 / tonne	0.99%	-17.19%
Carbon ECX EUA / Dec, 24	€95.26 / tonne	0.27%	8.25%
Dutch gas day-ahead (Pre. close)	€59.25 / Mwh	-0.75%	-21.60%
CBOT Corn	$6.77 / bushel	-0.26%	-0.18%
CBOT Wheat	$7.47 / bushel	-0.47%	-5.27%
Malaysia Palm Oil (3M)	RM3,941 / tonne	2.34%	-5.58%
Index (Total Return)	**Close 06 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	290.21	0.05%	-3.69%
Rogers International	27.43	0.05%	-4.33%
U.S. Stocks - Dow	33,891.02	-0.10%	2.24%
U.S. Dollar Index	103.62	0.69%	0.10%
U.S. Bond Index (DJ)	409.11	-0.62%	5.93%

Top News - Dry Freight

Algeria issues two tenders to buy 50,000 tonnes soft milling wheat – traders

Algeria's state grains agency OAIC has issued two international tenders to buy soft milling wheat to be sourced from optional origins, European traders said on Monday.

The tenders both sought a nominal 50,000 tonnes but Algeria often buys considerably more in its tenders than the nominal volume sought.

The first tender sought wheat for loading in all usual ports. The wheat is sought for shipment in two periods from the main supply regions including Europe: April 1-15 and April 16-30.

If sourced from South America or Australia, shipment is one month earlier.

The second tender sought wheat to the two ports of Mostaganem and Tenes only between March 1-15, March 16-31, April 1-15 and April 16-30. A relatively smaller purchase in the two-port tender is generally expected.

The deadline for submission of price offers in both tenders is Tuesday, Feb. 7, with offers having to remain valid until Wednesday, Feb. 8.

Algeria is a vital customer for wheat from the European Union, especially France.

Ukraine grain exports 29.4% down so far 2022/23 - ministry

Ukraine has exported almost 27.7 million tonnes of grain so far in the 2022/23 season, down from the 39.2 million tonnes exported by the same stage of the previous season, agriculture ministry data showed on Monday.

The volume included about 9.9 million tonnes of wheat, 15.9 million tonnes of corn and about 1.8 million tonnes of barley.

The ministry said grain exports so far in February had reached 714,000 tonnes as of Feb. 6, slightly down from 740,000 tonnes in the same period last year.

After an almost six-month blockade caused by Russia's invasion of Ukraine, three Ukrainian Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv brokered by the United Nations and Turkey.

A major global grain grower and exporter, Ukraine's grain output is likely to drop to about 51 million tonnes in clean weight in 2022 from a record 86 million tonnes in 2021. Officials have blamed the fall on hostilities in the country's eastern, northern and southern regions.

Picture of the Day

An oil pump of IPC Petroleum France is seen during sunset outside Soudron, near Reims, France, February 6. REUTERS/Pascal Rossignol

(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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