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Top News - Oil

INSIGHT-Lost Russian oil revenue is bonanza for shippers, refiners

Western sanctions on Russia have significantly reduced state oil revenues and diverted tens of billions of dollars towards shipping and refining firms, some with Russian connections.

Most of the winners from the sanctions are based in China, India, Greece and the United Arab Emirates, at least 20 trading and banking sources said. A handful are partly owned by Russian companies.

None of the firms is breaching sanctions, the sources told Reuters, but they have benefited from measures designed by the European Union and the United States to reduce the revenues of what they call Russian President Vladimir Putin's war machine.

As the Ukraine conflict heads into a second year, the calculations show that Russia's income has dropped but the volume of exports has remained relatively stable despite sanctions.

Putin told the West that sanctions would trigger an energy price rally. Instead, international benchmark Brent oil prices have fallen to $80 per barrel from a near-all-time high of $139 in March 2022, weeks after the start of the war.

Before Moscow's invasion of Ukraine began on Feb. 24 last year, Brent traded at around $65-$85 per barrel.

After the Group of Seven (G7) industrialised nations imposed a price cap on Russian oil in December, Moscow's oil export revenues fell by 40% year-on-year in January, Russia's finance ministry said.

"Low official oil price meant that the Russian state budget has suffered in recent weeks," Sergey Vakulenko, non-resident fellow at the Carnegie Endowment for International Peace, said.

Vakulenko was a former head of strategy at Russian energy major Gazprom Neft. He left the firm and Russia days after the start of the war.

"Judging by the customs statistics, some of the benefit was captured by refiners in India and China, but the main beneficiaries must be oil shippers, intermediaries and the Russian oil companies," he added.

Sanctions on Russia - probably the harshest imposed on an individual state - include outright bans on purchases of Russian energy by the United States and the EU, as well as bans on the shipping of Russian crude anywhere in the world unless it is sold at or below $60 per barrel.

Russia has diverted most crude and refined products to Asia by offering steep discounts to buyers in China and India versus competing grades from the Middle East, for instance.

The ban on shipping and the price cap have made buyers wary and forced Russia to pay for transportation of crude as it does not have enough tankers to carry all of its exports.

As of late January, Russian oil firms were offering discounts of $15-$20 per barrel for crude to buyers in India and China, according to at least 10 of the traders who are involved in operations and an invoice seen by Reuters. All of the sources asked not to be named because of the sensitivity of the issue.

In addition, Russian sellers have also paid $15-$20 per barrel to shipping companies to take crude from Russia to China or India, according to the 10 traders and the invoice.

As a result, Russian companies received only $49.48 per barrel of Urals at Russian ports in January, down 42% year-on-year and just 60% of the European Brent benchmark price, according to the Russian Finance Ministry.

By comparison, a U.S exporter of Mars crude - a grade similar to Urals - would pay about $5-$7 per barrel for shipping a cargo to India. Given a discount of $1.6 per barrel versus the U.S. benchmark WTI, a U.S. exporter would collect some $66 per barrel at a U.S. port, or 90% of the benchmark price.

With output of 10.7 million barrels per day (bpd) in 2022 and exports of crude and refined products of 7.0 million bpd, the discount and additional costs would see producers' revenues falling by tens of billions of dollars in 2023.

The head of the International Energy Agency (IEA), Fatih Birol, said on Sunday the price cap reduced Moscow's revenue by $8 billion in January alone.

However, because some lost revenues are captured by Russian firms, the exact hit to earnings of producers and the state is difficult to quantify.

As a further complication, some Russian oil grades, including Pacific grade ESPO, are also worth more than Urals.

The Russian energy and finance ministries declined to comment on the impact.

'CRAZY GOOD' SHIPPING BONANZA

Lower revenues have coincided with higher profits for some intermediaries, experts including Vakulenko and traders in Russian oil say.

After decades of low profits or losses, sections of the global shipping industry are enjoying a financial boom from moving Russian oil.

Those companies include Russian state shipper Sovcomflot, led by Putin's ally Sergei Frank, and Greek shipping firms TMS Tankers Management, Stealth Maritime, Kyklades Maritime, Dynacom, Delta Tankers, NGM Energy and New Shipping.

Some Greek and Norwegian tanker owners sold their old ships at record prices to shipping firms such as Fractal Shipping, with owners in Dubai. Saudi Arabia and the UAE have refused to condemn Russia's war in Ukraine and have broadened cooperation with Moscow despite Washington's pressure. All shipping companies declined to comment on any profits they make from Russian oil.

The invoice seen by Reuters showed a shipper charged a Russian crude seller close to $10.5 million for one voyage to take a regular-size Aframax tanker with 700,000 barrels on board from a Baltic port to an Indian refinery in January. A year ago, a similar journey would have cost a seller of Russian oil $0.5-$1.0 million depending on shipping rates. For the shipper, the running cost of such a voyage in today's market ranges between $0.5-$1.0 million, meaning the shipper's net profit from a single voyage could be $10 million. A trader in Russian crude described tanker business as "crazy good".

While tanker owners charge record high rates for Russian crude shipments, refiners in India and China have also benefited from big discounts. India's Russian oil imports hit an all-time high of above 1.25 million bpd in recent weeks, meaning the country has saved over $500 million a month on its oil bill with Russian oil sold at a discount of around $15 per barrel. Leading Indian importers - IOC, HPCL, BPCL, Nayara and Reliance - declined to comment on discounts and profits.

Nayara is 49%-owned by Russian state oil major Rosneft, run by Putin's ally Igor Sechin, meaning some of the profits are indirectly captured by Russia. Rosneft declined to comment on its role in Nayara and how it could recover some profits. China imported over 1.8 million bpd of Russian oil between April 2022 and January 2023, Emma Li, China analyst at Vortexa Analytics, said.

Based on an estimated $10 a barrel discount for both ESPO and Urals crude on delivered basis, that saved Chinese refiners about $5.5 billion over the 10-month period, according to Reuters' calculations. Independent refiners in the eastern province of Shandong were the biggest beneficiaries. State refining giant Sinopec Corp also gained from the cheaper oil, and state-run Petrochina, Zhenhua Oil and CNOOC made profits from trading the barrels, traders said.

BP makes record profit in 2022, slows shift from oil

BP reported on Tuesday a record profit of $28 billion for 2022 and hiked its dividend, but infuriated climate activists by rowing back on plans to slash oil and gas output and reduce carbon emissions by 2030.

The blockbuster profit follows similar reports from rivals Shell, Exxon Mobil and Chevron last week after energy prices surged in the wake of Russia's invasion of Ukraine, prompting new calls to further tax the sector as households struggle to pay energy bills.

Three years after CEO Bernard Looney took the helm with an ambitious plan to pivot BP away from oil and gas towards renewables and low-carbon energy, the company said it will increase annual spending in both sectors by $1 billion with a sharper focus on developing low-carbon biofuels and hydrogen. But it scaled back plans to cut oil output, now aiming to produce 2 million barrels of oil equivalent per day by 2030, down just 25% from 2019 levels compared with previous plans for a 40% cut.

As a result, BP reduced its ambitions to cut emissions from fuels sold to customers to 20-30% by 2030, from 35-40%. BP still aims to reduce its total emissions to net zero by 2050. "We need lower carbon energy, but we also need secure energy, and we need affordable energy. And that's what governments and society around the world are asking for," Looney told analysts.

While many investors backed Looney's strategy, which he told Reuters "is working", BP's shares have significantly underperformed top Western energy companies since the CEO took office, remaining largely flat compared with a 17% gain for Shell and a nearly 80% rise in Exxon shares. "If the bulk of your investments remain tied to fossil fuels, and you even plan to increase those investments, you cannot claim to be aligned" with the 2015 U.N. backed goals to battle climate change, Mark van Baal, founder of activist shareholder group Follow This said. BP's $4.8 billion fourth-quarter underlying replacement cost profit, its definition of net income, narrowly missed a $5 billion company-provided analyst forecast. The results were impacted by weaker gas trading activity after an "exceptional" third quarter, higher refinery maintenance and lower oil and gas prices.

But for the year, BP's $27.6 billion profit exceeded its 2008 record of $26 billion despite a $25 billion writedown of its Russian assets. That allowed it to boost its dividend by 10% to 6.61 cents per share, after halving it in the wake of the pandemic, and announce plans to repurchase $2.75 billion worth of shares over the next three months after buying $11.7 billion in 2022. BP shares ended 7.6% higher on the day, their best daily performance since November 2020.

ENERGY TRANSITION

BP reiterated plans to divide its spending to 2030 equally between the oil and gas business and its energy transition businesses, upping the total budget to up to $18 billion from a previously guided upper range of $16 billion. Transition businesses, such as renewables and electric vehicle charging, account for around 30% of the current budget compared with 3% in 2019. BP kept it returns outlook for renewables largely unchanged at 6%-8%, without taking into account debt, even though global offshore wind production costs have soared in recent months.

Looney said BP's wind and solar production will focus more on providing renewable power to generate biofuels and low-carbon hydrogen, focusing particularly in the United States where the landmark Inflation Reduction Act offers investment credits and tax cuts.

BP, whose trading operations further boost renewables returns, maintained plans to have 50 gigawatts (GW) of renewable projects under development and 10 GW operating by 2030.

It said it expects returns of upwards of 15% from its bioenergy business and its combined electric vehicle charging and convenience store businesses, while looking for double-digit returns on hydrogen.

It aims to translate this into a core profit from the transition businesses of $10 billion-$12 billion by 2030, out of targeted total group earnings before interest, tax, depreciation and amortisation (EBITDA) of $51 billion-$56 billion. BP also wants to increase its focus on renewable natural gas having last year acquired U.S. producer Archaea Energy for $4.1 billion, and it has also set a target to produce 0.5 million-0.7 million tonnes a year of low-carbon hydrogen to initially supply its own refineries.

BP, which increased its 2030 oil price forecast by $10 to $70 a barrel, will focus its global oil and gas operations in nine regions, with plans to sharply increase output from its U.S. shale business and in the Gulf of Mexico.

Top News - Agriculture

COLUMN-U.S. ag exports top $200 bln in 2022 as China grabs record share -Braun

The United States' exports of agricultural and related products hit record levels by value in 2022, though higher prices played a big role as volumes across some major items like grain and meat were down on the year.

U.S. farm exports were valued at $213 billion last year, up from the prior high of $192 billion set in 2021. Last year's total accounted for an above-average 7.1% of all U.S. exports in 2022, which reached a record $3 trillion across goods and services.

China was the top destination for U.S. agricultural products in 2022 at a record 19.2% of the value, led by increased purchases of soybeans, cotton and beef.

Canada, Mexico and Japan rounded out the top four at 16%, 14% and 8%, respectively, of the 2022 U.S. export total.

Despite the record value, overall volumes in main product categories were lower on the year. Bulk exports including corn, soybeans, wheat, cotton and sorghum totaled 146 million tonnes, down 6% from 2021. Beef, pork, poultry and related product exports of 8.2 million tonnes were down 1% on the year.

Intermediate product exports, including soybean meal, soybean oil and distillers grains fell 4% on the year, though ethanol exports were up 9% to a three-year high.

U.S. exports of corn and soybeans, the top two grossing agricultural items, may fall this year versus last based largely on strong competition from South America. Rocky relations between the United States and China also have that trade flow constantly under question.

HIGH PRICES

Global commodity prices have risen in the last couple of years due to increasing economic concerns and inflation, and agriculture prices have been supported by shrinking grain and oilseed supplies. That rally reached a fever pitch a year ago amid Russia's invasion of Ukraine, both major agricultural exporters.

The average exported cost of U.S. corn, soybeans and wheat all hit new records in 2022 as a result. Corn at $321 per tonne was up 19% on the year, soybeans at $601 were up 16% and wheat surged 35% to $407 per tonne.

The previous highs were $299 for corn in 2011, soybeans at $568 in 2012 and wheat at $376 in 2008.

U.S. soybean exports in 2022 were up 8% on the year by volume, but corn fell 16% and wheat was down 13%. However, total corn shipments were about 2% above the five-year average.

CHINA

U.S. agricultural and related exports to China in 2022 reached a record $40.85 billion, up 14% from the prior high set last year. That would have satisfied the 2020 target as outlined in the Phase 1 trade deal signed three years ago under the Trump administration, which called for China's 2020 U.S. purchases to reach at least $36.5 billion.

China's 2020 total reached $28.8 billion, padded by the late-year rally that was partially motivated by increased Chinese demand. But the original goal was impossible anyway under the 2020 price levels, and China had no plans to import in excess.

For example, U.S. soybeans were 43% more expensive and U.S. corn 88% more for China to import in 2022 versus 2020. Those two accounted for 57% of U.S. farm exports to China last year.

The Biden administration has been very quiet on Phase 1 since taking office two years ago, so tracking this progress is probably moot for now, but eyes must be kept on U.S.-China trade trends.

By volume, U.S. soybean exports to China in 2022 rose 11% on the year to 30.4 million tonnes, but a year-on-year decline would have been highly likely had top exporter Brazil not experienced severe drought. Brazil is currently collecting its record soybean crop.

U.S. corn exports to China last year were down 14% by volume from 2021's high, and forward bookings are relatively very light. Brazil also has a hand in this as its corn trade with China opened late last year, and shipments have surged.

U.S. beef exports to China hit a record 244,000 tonnes in 2022, up 28% on the year and worth $2.16 billion, surpassing pork's $1.36 billion. Pork exports to China fell 26% on the year to 534,000 tonnes, down 46% from the 2020 peak.

EU deforestation law risks sidelining small farmers, says palm oil watchdog

A new European Union law preventing the import of commodities linked to deforestation risks sidelining small farmers who are unable to meet the burdensome cost of compliance, the head of the Roundtable on Sustainable Palm Oil (RSPO) said on Tuesday.

Joseph D'Cruz told Reuters larger RSPO-certified members will not face difficulties complying with EU requirements as their certification standards already prohibit deforestation and the conversion of primary forests.

"There is a human, social and developmental cost there, which smaller, marginal producers may be forced to bear in order for the EU deforestation regulation to be implemented the way it is being set up right now," the RSPO chief executive officer said in an interview.

The EU in December agreed on a new deforestation regulation that requires companies to produce a due diligence statement showing when and where their commodities were produced and provide "verifiable" information that they were not grown on land deforested after 2020, or risk hefty fines.

The regulation has been welcomed by environmentalists as an important step in protecting forests as deforestation is responsible for about 10% of global greenhouse gas emissions.

The law will apply to palm oil, soy, beef, wood, cocoa and coffee and some derived products.

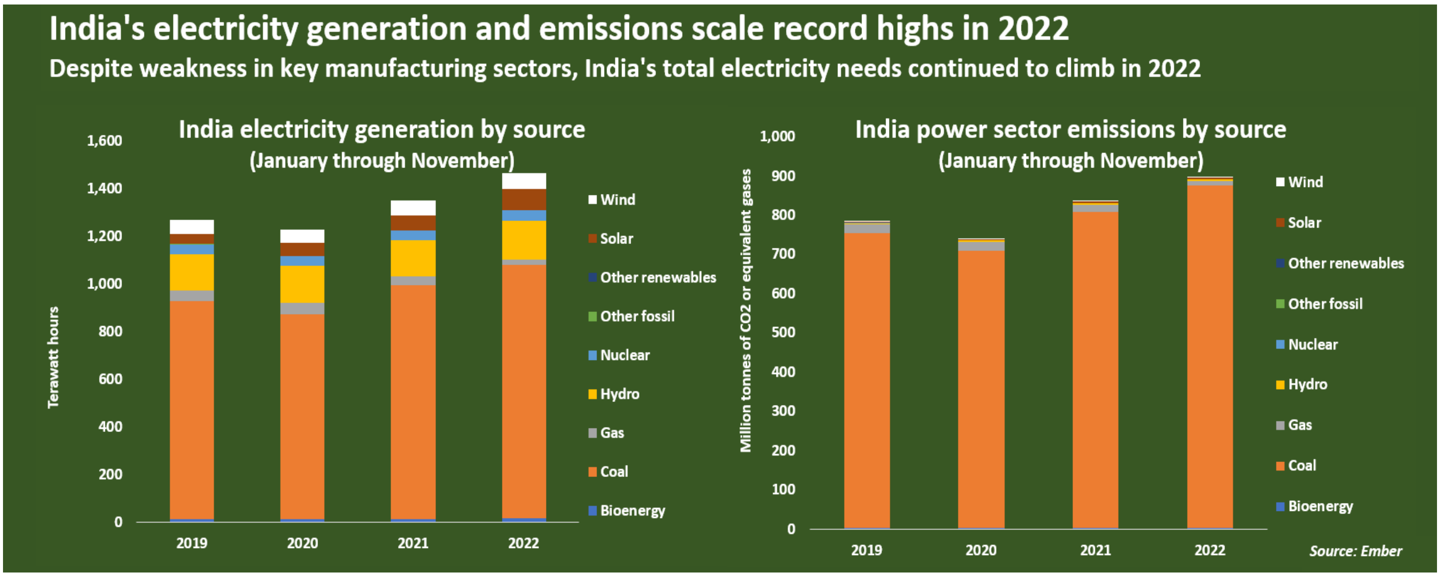
Small, sustainable producers across Asia, Africa and Latin America who benefit the most from access to premium markets will not be able to sell to the EU because they lack a supply chain that can demonstrate traceability from the farm to the European market, D'Cruz said. More than seven million smallholders globally cultivate palm oil for a living, according to RSPO data. In top producers Indonesia and Malaysia, smallholders account for about 40% of the total area for palm oil production. The two countries have accused the EU of blocking market access for their palm oil, with Malaysia saying it could stop exports to the bloc.

MARKET SHARE

Activists have for years accused the palm oil industry of rampant clearing of Southeast Asian rainforests and abuse of workers' rights, although the RSPO has addressed these issues in their certification criteria.

Market share for RSPO-certified sustainable palm oil has stayed at 19.8% for years, due to stagnating demand for the more pricey certified product, especially in price-sensitive markets like India and China. RSPO is focusing on opportunities in India and China where consumer perceptions of sustainability are changing, D'Cruz said. "When those perceptions shift, I think demand will reach a tipping point and start to grow quite significantly."

Chart of the Day



India's electricity generation and emissions scale record highs in 2022

Despite weakness in key manufacturing sectors, India's total electricity needs continued to climb in 2022

Source: Ember

Top News - Metals

U.S. appeals court allows higher tariffs on imported steel products

A U.S. federal appeals court upheld the imposition of higher tariffs on some imported steel products, reversing a lower court ruling that the Trump administration waited too long to act.

Tuesday's 3-0 decision by the U.S. Federal Circuit Court of Appeals in Washington, D.C. covers imports of steel derivatives, such as nails and fasteners, that were subjected to 25% tariffs in a January 2020 proclamation by then-President Donald Trump.

Similar tariffs on other imported steel items including flat-rolled products, tubes and pipes had been imposed in 2018, after then-Commerce Secretary Wilbur Ross found that imports threatened national security by eroding demand for U.S. steel and depressing the use of domestic steel-producing capacity.

Trump said the new tariffs were needed after capacity utilization had not recovered for an extended period.

In 2021, the U.S. Court of International Trade struck down the new tariffs, saying the White House missed statutory deadlines to impose them.

But the appeals court said a subsequent ruling allowed presidents to impose "contingency-dependent" tariff increases to fulfill their original national security objectives, assuming those objectives remained valid.

Trump imposed the new tariffs to "close a loophole exploited by steel-derivatives importers ... to address a specific form of circumvention," Circuit Judge Richard Taranto wrote.

The Biden administration supported upholding the new tariffs.

The tariffs had been challenged by importers Huttig Building Products Inc, Oman Fasteners LLC and PrimeSource Building Products Inc, which said Congress never granted the president broad power over foreign trade to impose them.

Lawyers for the importers did not immediately respond to requests for comment. The Commerce Department did not immediately respond to a similar request.

The cases are PrimeSource Building Products Inc v U.S. et al, U.S. Federal Circuit Court of Appeals, No. 2021-2066; and Oman Fasteners LLC et al v U.S. et al in the same court, No. 2021-2252.

COLUMN-Cobalt price slump triggers lift-off in futures trading: Andy Home

Cobalt prices have crashed over the last six months with demand growth slowing just as a wave of new supply washes through the market.

After hitting a four-year high of $40 per lb in May last year, cobalt has slumped to $17 per lb, extending a long history of boom-and-bust price cycles.

There were hopes that this time might be different, thanks to rising demand from the electric vehicle (EV) sector but not all battery inputs are equal when it comes to the bullish narrative around "green" metals.

Cobalt has lost share to lithium as the Chinese EV market in particular pivots towards non-cobalt battery chemistry.

Fears of under-supply have been replaced by expectations of surplus over the coming years.

The abrupt turnaround in both narrative and price has led to a surge in trading activity on the CME cobalt contract as producers and consumers respond to the shifting landscape.

CHANGE OF GEAR

Cobalt's fortunes are still tied to the EV sector but the relationship is changing.

Sales of new energy vehicles rose by 56% year-on-year in the fourth quarter of 2022 and usage of cobalt in EV batteries jumped by over 60% over the full year, according to the Cobalt Institute's latest quarterly report.

That eye-watering growth rate would be stronger still were it not for a shift towards non-cobalt battery chemistries, led by China, the world's largest EV market.

Lithium-iron-phosphate (LFP) batteries now represent around 30% of the total market, a share that is likely to grow as auto-makers seek to lower costs in an increasingly competitive arena.

The changing mix of chemistries explains why lithium prices are still holding their highs while cobalt prices have been on the slide.

Cobalt usage has also been dented by falling sales of electronic items such as mobile phones and a slow COVID recovery in the aerospace sector.

Overall demand growth fell sharply to 7.8% last year from 19.3% in 2021 and will likely slow again to 5.9% this year, according to Macquarie Bank. ("Commodities Compendium", Dec. 8, 2022)

Supply, by contrast, is growing fast thanks to restarted capacity in the Democratic Republic of Congo and a new generation of Indonesian nickel plants producing cobalt as a by-product.

The status of the giant Tenke Fungurume mine in the Congo is a supply wild card. Operations are continuing for now but exports remain blocked by a dispute between state mining company Gecamines and China's CMOC Group.

A closure of Tenke, which produced 18,500 tonnes of cobalt in 2021, would be price supportive in the short term but the longer-term picture is one of accumulating supply surplus, according to Macquarie.

COBALT FUTURES TAKE OFF

One beneficiary of this turnaround in cobalt market dynamics has been the CME, which has seen activity in its cobalt contract mushroom since the middle of last year.

CME wasn't the first exchange to launch a cobalt contract. The London Metal Exchange (LME) got there first with a physically delivered contract making its debut as far back as 2010.

Activity grew steadily before peaking in 2018, when concerns emerged that some of the LME's registered cobalt brands were sourced from Congo's artisanal mining sector and associated with human rights abuses.

The issue was the trigger for the LME's move to incorporate responsible-resourcing criteria into all its listed metal brands but the cobalt contract never recovered.

Volumes last year were just 290 contracts and registered stocks have dwindled to 157 tonnes, or just 46 tonnes, excluding metal awaiting physical load-out.

Industrial users seem to have switched en masse to the CME product, launched at the end of 2020 and cash settled against Fastmarkets' assessment of standard-grade metal in warehouse in Rotterdam.

Volumes more than quadrupled to 17,119 contracts last year and January's activity was a fresh monthly record with 5,127 contracts traded.

Open interest has grown exponentially from 2,385 contracts in May last year to 16,970 contracts at the end of January. It's worth noting that open interest is evenly distributed across the curve with positions extending as far forward as December 2025.

It's clear that the May price peak and subsequent price collapse have generated significant hedging activity from both producers and consumers, albeit sometimes indirectly via bespoke structured products with banks and traders.

Given cobalt's history of boom and bust, the emergence of a viable futures market is long overdue.

DIVERGENT DYNAMICS

A CME contract trading against metal in Rotterdam is a very Western pricing solution, not capturing the massive flows of cobalt intermediate products from both the Congo and Indonesia to China.

But Chinese and Western cobalt markets are diverging. While LFP batteries take a growing slice of China's EV market, Western automakers are still leaning heavily towards chemistries that include both nickel and cobalt for improved power efficiency.

However, many Western carmakers are highly wary of using Congolese cobalt in their products for fear their prized branding will be associated with the child labour.

There is potential for the global cobalt market to be in structural oversupply but for Western markets to be short of socially acceptable metal.

Government stimulus, whether it be the Inflation Reduction Act in the United States or the REPowerEU programme in Europe, will further accelerate EV demand whilst limiting import sources for battery inputs as both regions try and cut dependence on China.

The global scramble for cobalt is clearly over for now but the Western scramble may just be starting.

Top News - Carbon & Power

COLUMN-India's economy - and emissions - primed for big jumps in 2023: Maguire

India is set to become the world's fastest-growing major economy in 2023, with an investment boom likely to spark sharp increases in factory output, bank lending and consumer purchases, according to a recent survey by the Indian central bank.

Climate trackers will be alarmed by such a robust outlook, as India's power sector already spewed out near record emissions in 2022 when its economy was stuck in a lower gear, and will likely elevate pollution totals further as momentum builds.

Overall economic and industrial activity was curtailed in 2022 by a mix of parts shortages for producers, rising interest rates that slowed consumer demand, and a record weak rupee against the dollar, which made imports more expensive.

But following rapid corporate deleveraging that helped improve bank balance sheets in 2022, "the private sector is poised to increase spending, which can boost capex as and when the investment cycle picks up," according to consultancy Deloitte in its 2023 India economic outlook.

If overall industrial activity does increase as expected in 2023, then energy use and pollution from production lines and smokestack plants across the country can also be expected to climb, undermining global efforts to reign in fossil fuel pollution.

RECORD USE OF COAL

India's power sector emissions of carbon dioxide (CO2) and equivalent gases are on track for a record in 2022, according to data from think tank Ember.

The emissions tally for January through November - the latest monthly data available - is 7.5% above the same period in 2021, which registered a record annual power sector emissions total of 1.091 billion tonnes.

Strong, sustained electricity demand from households, retail outlets and offices - mainly for air conditioners - helped push India's overall electricity demand higher in 2022, despite the soft showing from manufacturers.

The primary source of pollution in 2022 was record-high use of coal, and a sharp drop in natural gas use because of high global gas prices.

Total electricity generation through November increased by 8.3% from the year before, indicating that India's power producers successfully deployed larger amounts of new clean power in 2022 (up 13.3%) than new fossil-fuel power (up 6.7%).

However, electricity generation remained overwhelmingly reliant on coal, with an average of 72.7% of electricity coming from coal in 2022, Ember data shows.

With natural gas markets still disrupted by the fallout from Russia's invasion of Ukraine, Indian power producers are expected to continue relying on coal for a majority of baseload power generation in 2023, even as they roll out additional supplies of clean but intermittent renewable energy.

OUTPUT DIP

While electricity output trended higher in 2022, key measures of Indian manufacturing activity stalled below recent peaks, as a combination of supply chain stress, rising interest rates and a deteriorating rupee exchange rate slowed both production and consumption.

India's famed car market - the fourth largest by sales and production in 2021 - was particularly hamstrung, with average production in 2022 holding roughly 25% below the average from 2014 through 2018.

Other measures of Indian manufacturing activity also revealed sustained sub-par output levels, with several indices published by the Ministry of Statistics and Programme Implementation (MOSPI) pointing to reduced production across the textiles, wood product and fabricated metals sectors.

However, 63% of business leaders across India surveyed by investment bank JP Morgan are optimistic about the economy in 2023, with 94% of businesses expecting capital spending to grow or stay the same, and 84% expecting profit growth.

Some areas of concern remain, with 44% of those surveyed noting that supply chain pressures are worse than a year ago, while 61% said that a recession is likely in 2023 in line with expectations for the global economy.

But the overall upbeat tone of those surveyed - along with similarly positive expectations for India across the financial community - suggest that businesses across every sector of the economy are primed for growth this year.

That means more energy use across homes, offices, farms, factories, mines, refineries, cement plants and logistical channels - along with a commensurate rise in emissions.

With the country's power sector already on track to hit a new record through November last year, the cumulative emissions toll in 2023 could easily surpass a billion tonnes again, cementing India's status as the third largest power sector emitter after China and the United States.

U.S. power use to slide in 2023 from record high on weaker economic activity

U.S. power consumption will ease in 2023 as weaker economic activity and milder weather drag it from record highs hit in 2022, the U.S. Energy Information Administration (EIA) said in its Short-Term Energy Outlook (STEO) on Tuesday.

The statistical arm of the U.S. Department of Energy projected power demand will slide from a record 4,045 billion kilowatt-hours (kWh) in 2022 to 3,999 billion kWh in 2023, before rising to 4,063 billion kWh in 2024 as economic growth ramps up.

That compares with an eight-year low of 3,856 billion kWh in 2020 when the coronavirus pandemic depressed demand.

The EIA projected 2023 power sales would ease to 1,475 billion kWh for residential consumers, 1,373 billion kWh for commercial customers, and 1,001 billion kWh for the industrial sector.

That compares with all-time highs of 1,516 billion kWh for residential consumers in 2022, 1,382 billion kWh in 2018 for commercial customers and 1,064 billion kWh in 2000 for industrial customers.

Projected 2023 gas sales would slide to 13.41 billion cubic feet per day (bcfd) for residential consumers, 9.54 bcfd for commercial customers, 22.81 bcfd for industrial customers and 32.38 bcfd for power generation, the EIA said.

That compares with all-time highs of 14.32 bcfd in 1996 for residential consumers, 9.67 bcfd in 2022 for commercial customers, 23.80 bcfd in 1973 for industrial customers and 33.24 bcfd in 2022 for power generation.

Wind and solar are expected to replace coal and U.S. fossil fuel electricity generation in the next two years.

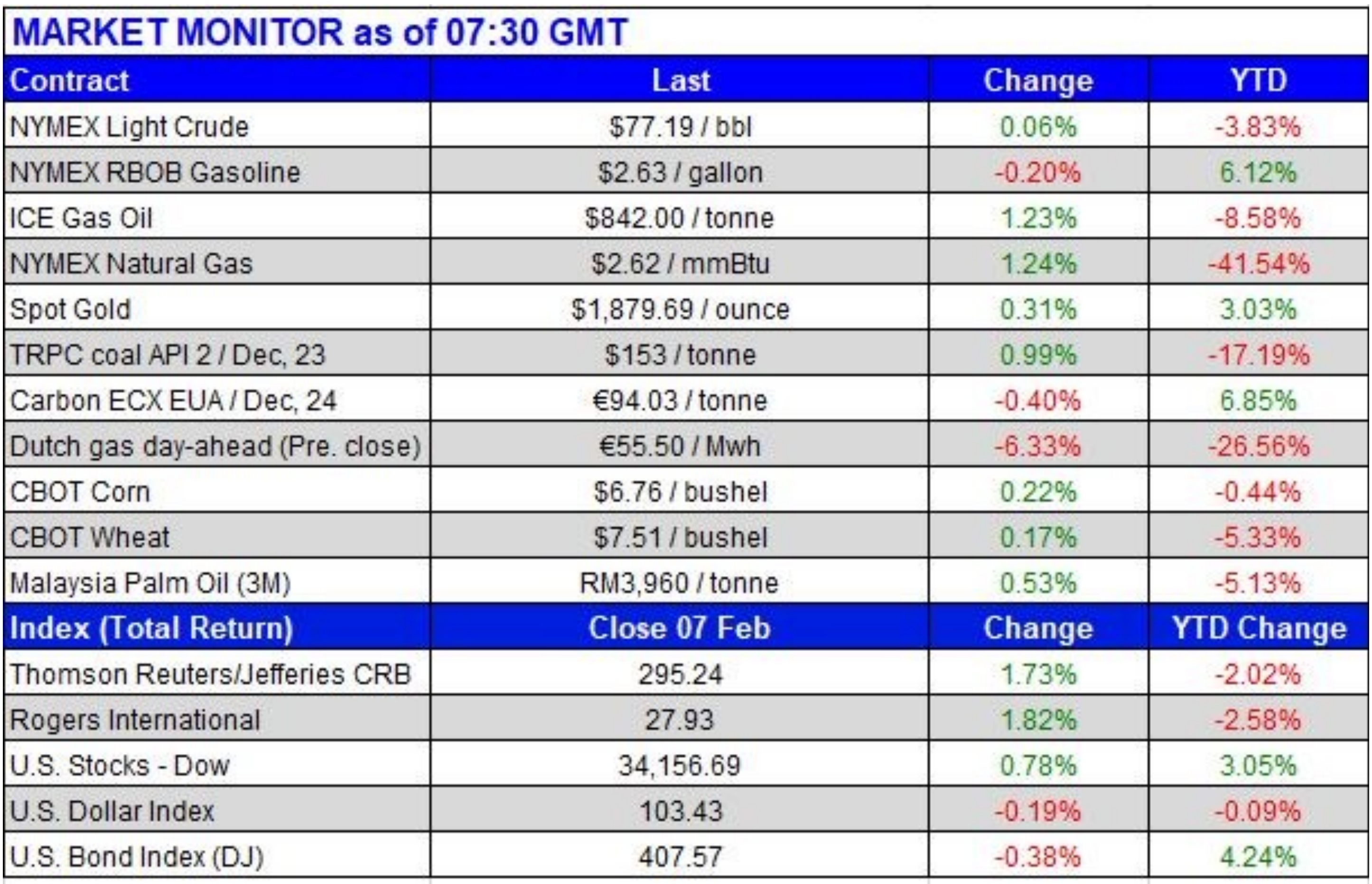
Natural gas' share of power generation would hold at 39% in 2023, the same as 2022, before sliding to 37% in 2024, the EIA said. Coal's share will drop from 20% in 2022 to 17% in 2023 and 2024 as renewable output rises.

The percentage of renewable generation will jump from 22% in 2022 to 24% in 2023 and 26% in 2024. Nuclear power's share will rise from 19% in 2022 to 20% in 2023 before sliding to 19% in 2024.

U.S. power generators have announced plans to increase solar capacity by 43%, or 32 gigawatts this year, which would be the largest jump in that type of capacity since 2016.

In 2024, solar power generation is expect to leap by another 30%, the EIA said, as incentives by the Biden administration are expected ramp up.

Wind capacity is projected to rise 5% each of the next two years, to 6 and 7 gigawatts, the EIA said.



MARKET MONITOR as of 07:30 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$77.19 / bbl	0.06%	-3.83%
NYMEX RBOB Gasoline	$2.63 / gallon	-0.20%	6.12%
ICE Gas Oil	$842.00 / tonne	1.23%	-8.58%
NYMEX Natural Gas	$2.62 / mmBtu	1.24%	-41.54%
Spot Gold	$1,879.69 / ounce	0.31%	3.03%
TRPC coal API 2 / Dec, 23	$153 / tonne	0.99%	-17.19%
Carbon ECX EUA / Dec, 24	€94.03 / tonne	-0.40%	6.85%
Dutch gas day-ahead (Pre. close)	€55.50 / Mwh	-6.33%	-26.56%
CBOT Corn	$6.76 / bushel	0.22%	-0.44%
CBOT Wheat	$7.51 / bushel	0.17%	-5.33%
Malaysia Palm Oil (3M)	RM3,960 / tonne	0.53%	-5.13%
Index (Total Return)	**Close 07 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	295.24	1.73%	-2.02%
Rogers International	27.93	1.82%	-2.58%
U.S. Stocks - Dow	34,156.69	0.78%	3.05%
U.S. Dollar Index	103.43	-0.19%	-0.09%
U.S. Bond Index (DJ)	407.57	-0.38%	4.24%

Top News - Dry Freight

Algeria starts buying milling wheat in tender – traders

Algeria’s state grains agency OAIC has started buying milling wheat in an international tender which closed on Tuesday, European traders said in initial assessments. Initial purchases reported were around $329 a tonne cost and freight (c&f) included, they said. There was market talk of trades both above and below this level. Tonnage bought was initially unclear.

Traders said the OAIC had not purchased all the wheat it apparently wished to, and that negotiations in the tender would resume on Wednesday morning. The initial prices were likely to indicate wheat could be sourced from several suppliers including the west EU, east EU/Black Sea region and Russia, they said. “Initial indications are that Russian wheat may not dominate the purchase,” a trader said.

More detailed assessments prices and tonnage bought are expected later. 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. Results of a second tender for shipment to two ports only were still awaited. Algeria does not release results of its tenders and reports are based on trade estimates.

South Korea’s MFG buys estimated 138,000 tonnes corn in tender

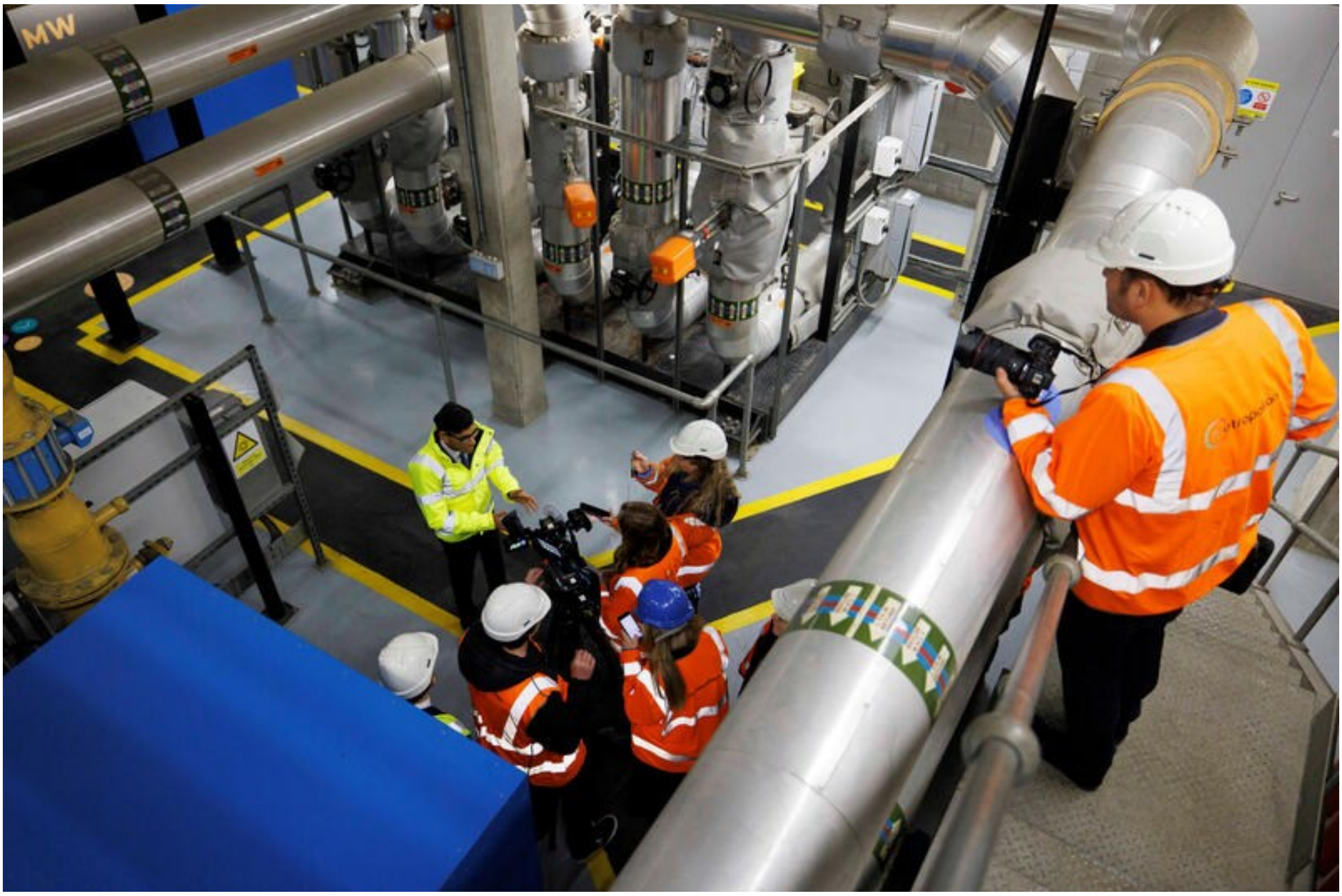
South Korea's Major Feedmill Group (MFG) has purchased an estimated 138,000 tonnes of animal feed corn to be sourced from South America and optional origins in an international tender on Tuesday, European traders said. The first consignment of around 70,000 tonnes expected to be sourced from South America was bought at an estimated $339.50 a tonne c&f plus a $1.20 a tonne surcharge for additional port unloading. Trading house Sierentz was believed to be the seller.

A second consignment of about 68,000 tonnes to be sourced from any optional origins was bought at an estimated $339.83 a tonne c&f including a surcharge for additional port unloading.

Trading house Cofco was believed to be the seller. Arrival of the first consignment in South Korea was sought in the tender around May 7.

But traders said an alternative earlier arrival around April 25 was agreed in talks with shipment from South America between Feb. 25 - March 15. Arrival of the second consignment in South Korea was sought around May 20. Shipment was sought between March 27 and April 15 if sourced from the U.S. Gulf or east Europe and the Black Sea region, between April 16 and May 5 from the U.S. Pacific Northwest coast, between March 22 and April 10 from South America or April 10-April 20 from South rica.

Picture of the Day



British Prime Minister Rishi Sunak is given a tour of a combined heat and power plant in Kings Cross, London, Britain. February 7. Jamie Lorriman/Pool via REUTERS

(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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