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Top News - Oil

Reduced refining capacity, sanctions force Russia to cut oil output

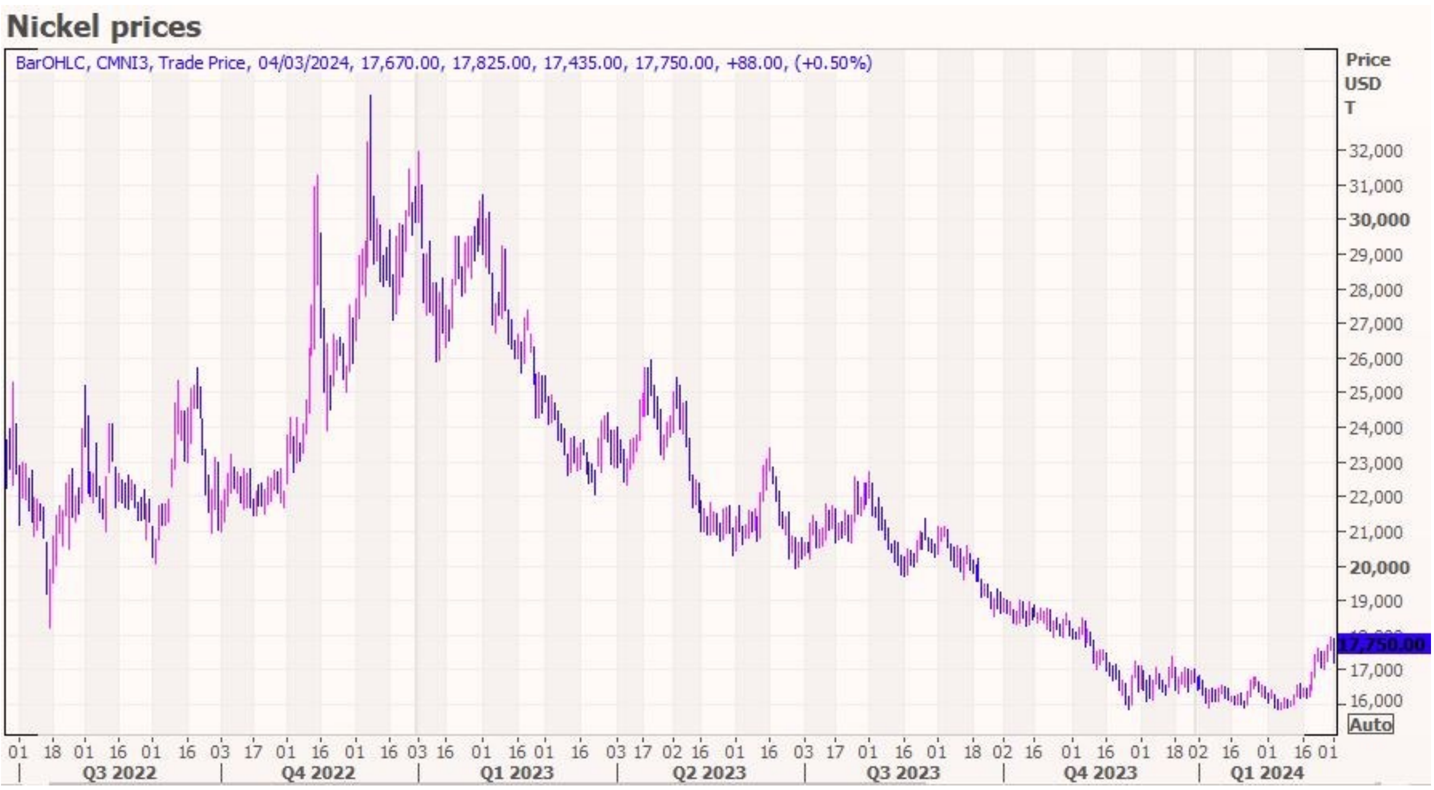
Russia on Sunday announced additional voluntary cuts in oil supply mainly in the form of production cuts rather than exports, as it faced curtailed refining capacity as well as stricter sanctions, analysts said.
Russia has declared plans to cut its oil output and exports by an additional 471,000 barrels per day (bpd) in April-June in coordination with some OPEC+ participating countries.
While the world's second-largest oil exporter has been reducing 500,000 bpd in exports of crude oil and oil products in the first quarter, it has decided to scale down export limits in the second quarter and focus on production curbs instead.
Russia has suffered numerous outages and drone attacks at its large oil refineries since the start of the year amid the conflict with Ukraine.
Among the oil processing plants, which have reduced output, are Rosneft-owned Tuapse, Lukoil's Volgograd and NORSI refineries as well as Novatek's fuel processing and transhipment complex at the Baltic Sea port of Ust-Luga.
Maintenance at the NORSI oil refinery will likely take a few months, according to government officials.
Adding to the oil glut will be seasonal maintenance work at Russian refineries in the spring and autumn. Fuel production during these months usually decreases, and crude oil exports increase.
Ronald Smith, a senior analyst with BCS brokerage in Moscow, said that Russia has little storage capacity for crude oil in order to be able to regulate exports.
"I can only assume that a signal of oil output cuts relative to exports is indeed just a signal that the refinery repairs will take a few months, which is expected," he said.
Russia plans to gradually ease the export cuts, Russian Deputy Prime Minister Alexander Novak said in a statement on Sunday.
In April, it will reduce output by an extra 350,000 bpd, with exports cut by 121,000 bpd. In May, the extra output cut will be 400,000 bpd and exports cut by 71,000 bpd. In June, all the additional cuts will be from oil output, he added.
Viktor Kurilov, a senior analyst at oil and gas consultancy Rystad Energy, said it was highly likely that the Middle Eastern partners asked for a bigger contribution of Russia to the OPEC+ production cut.
Russia had revised up its oil exports for last month due to more available crude amid decreased refining capacity.
"The focus on production may also be related to the fact that there is volatility in the structure of Russian oil and oil product exports," he said.
"Perhaps, therefore, it is not an effective practice to impose strict restrictions on oil and oil products exports under current conditions."
The West has also imposed wide-ranging sanctions against the Russian oil trade, while the United States also last month imposed sanctions on Moscow's leading tanker group Sovcomflot, further hampering Russian oil exports.

COLUMN: Low volumes and profits herald soft Asia diesel market -Russell

Asia's exports of diesel slumped to a multi-year low in February, and while volumes may recover in March on rising shipments from China and India, it's likely prices will come under further downward pressure.
A total of 6.6 million metric tons of diesel were exported from Asia in February, down from January's 8.13 million and the weakest monthly figure for at least two years, according to data compiled by LSEG Oil Research.
Despite the drop in diesel supply, the profit margin on the key transport fuel remained weak, suggesting demand growth remains tepid at best.
The profit of making a barrel of gasoil, the building block for middle distillate fuels such as diesel and jet kerosene, at a typical Singapore refinery ended at $22.01 on Monday, down from the previous close of $22.17.
The margin has been trending weaker since August last year, when it peaked at $36.13 a barrel on Aug. 28.
The profit on gasoil is likely to come under further pressure this month as higher volumes of diesel are expected to be shipped in Asia, especially from leading exporters China and India.
China's exports of diesel were 713,290 tons in February, down from January's 986,200, according to LSEG, as refiners kept more of the fuel for the domestic market to meet any increased demand over the week-long Lunar New Year holidays, when millions of people travel to see relatives.
With key domestic sectors like construction and manufacturing remaining under pressure, it's likely that China's refiners will seek to lift exports in March and April, especially since the profit margin on diesel remains attractive to them, assuming they are able to make the fuel from discounted crude oils from Russia and Iran.
India's shipments of diesel were 2.01 million tons in February, down from 2.02 million in January and some

29% below the recent peak of 2.84 million in December.
It's expected that more Indian diesel will head to Asia as cargoes are diverted from Europe, partly because of lower demand as the Northern Hemisphere winter ends and partly because of the attacks on shipping in the Red Sea by Yemen's Houthi rebels, which has forced vessels to take the longer, and costlier, route around the Cape of Good Hope.
This trend can already be seen in the LSEG data, with India's diesel exports to the West being assessed at 665,960 tons in February and 280,000 in January, a marked drop from December's 1.28 million and 1.12 million in November.
India's exports to Asia were 700,440 tons in February and 716,420 in January, up from 371,320 in December and November's 393,050. If India continues to switch diesel exports to Asia from Europe, and China does export more as expected, the profit margin on diesel is likely to come under further pressure.
The main factor that may ease some downward pressure is Asia's refinery maintenance season gets underway in March and typically lasts through April and May.
GASOLINE TIGHTNESS
Asia's other main refined product, gasoline, is showing some similarities to diesel, insofar as February export volumes were weak, with LSEG estimating shipments of 4.51 million tons, down from 5.64 million in January and December's 6.33 million.
The drop was largely because exports from China dropped to a 16-month low of 679,290 tons and those from South Korea hit an 8-month low of 813,350.
But unlike diesel, the lower supply of gasoline saw the profit margin on making a barrel of the light vehicle fuel from Brent crude at a Singapore refinery increase.
The margin, or crack spread, ended at $14.63 a barrel on Monday, up from the previous close of $14.20, and it has been in an uptrend since the recent low of $2.11 a barrel on Oct. 18. The crack may remain supported in coming weeks as exports from India, which vies with South Korea as the largest gasoline shipper in Asia on a net basis, are expected to remain constrained amid strong domestic demand.

Chart of the Day



Top News - Agriculture

Australia lifts crop production estimates after summer rains

The Australian agriculture ministry on Tuesday raised its estimate for the country's 2023/24 winter wheat harvest by about 500,000 metric tons to 26 million tons, while also lifting its assessments for canola, sorghum and cotton production.

The size of Australia's harvests is important for global markets because the country is one of the world's biggest agricultural exporters and will ship most of its crops overseas.

Better-than-expected summer rainfall has boosted yields, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said in a quarterly report.

However, harvests of most crops remain much smaller than in recent seasons because of an El Nino weather phenomenon that brought hot and dry weather for much of 2023.

For winter crops, whose harvest is now complete, the bureau estimated that 26 million tons of wheat, 10.8 million tons of barley and 5.7 million tons of canola were produced in the 2023/24 season.

Three months ago, it forecast harvests of 25.5 million tons of wheat, 10.8 million tons of barley and 5.5 million tons of canola.

Overall, winter crop production is down 32% from 2022/23 but roughly in line with Australia's 10-year average to 2022/23, ABARES said.

India's wheat, rapeseed ravaged by rain just before harvesting

Untimely rainfall and hailstorms have battered winter-sown crops, including wheat, rapeseed, and chickpeas in India's main producing areas, delaying harvesting, industry and government officials told Reuters.

Adverse weather could limit growth in wheat production and complicate the government's efforts to build stocks.

This year's wheat harvest is critical for India, the world's biggest producer of the grain after China. Hot and unseasonably warm weather cut India's wheat output in 2022 and 2023, leading to a sharp drawdown in state reserves.

A third straight poor harvest will leave no choice for India but to import some wheat. The government has so far resisted calls for wheat imports - a seemingly unpopular step ahead of a general election early this year. "The entire wheat crop has been flattened due to heavy rainfall and hailstorm. It was nearly mature, and we could have harvested it in two to three weeks," said Mukesh Kumar, a farmer from Uttar Pradesh, the country's largest producer of the grain.

The hailstorm will not only lead to production losses but will also increase harvesting expenses, as the crop cannot be harvested with a combine and instead need labourers, Kumar said.

Wheat production will certainly be affected, as damage is reported in all wheat-producing states, from Punjab and Haryana in the north to Madhya Pradesh in central India, said a New Delhi-based trader with a global trade house.

The government last week said wheat production could rise by 1.3% from a year ago to a record 112 million tons, but traders now say production will be much lower than the estimate.

"Production could be down by at least 2-3 million tons just because of one week's bad weather. Hot weather is expected in the second half of March. We don't know how much further stress it would put on the crop," said a Mumbai-based trader.

Like wheat, rapeseed and chickpeas were also cultivated mainly in northern states. Lower-than-expected rapeseed production may force the world's biggest edible oil importer to continue expensive overseas purchases of palm oil, sunflower oil and soybean oil.

Rapeseed production is expected to be at least 5% lower than what the industry had anticipated before the crop was damaged by rainfall, said Anil Chatar, a trader based in Jaipur in the north-western state of Rajasthan.

"Rapeseed harvesting had begun in many places, but now it will be delayed due to the rainfall," he said.

Top News - Metals

Indonesia aims to finalise mining quota approvals by the end of March, official says

Indonesia's Energy and Mineral Resources Ministry has approved the mining quota requests of about 120 mineral companies out of 723 firms that have applied, a senior official told Reuters on Tuesday.

Approval process for the quota, known locally as RKAB, has been delayed this year, raising concern by nickel smelters who are facing depleting ore stock.

"RKAB approvals for minerals are still on progress and the plan is to complete them by the end of March," Irwandy Arif said.

He did not provide the tonnage for the approved RKAB, nor the breakdown of each of the minerals.

Last week, a director at the ministry said approvals have been issued for 145 million metric tons of nickel ore production this year, with approvals for more underway.

GRAPHIC-Shrinking surplus suggests end to two-year nickel price slide

Dwindling surpluses due to tightening supplies and healthy demand from stainless steel mills and China's electric vehicle battery sector mean nickel prices have, after a two-year slide, probably hit the floor.

Nickel on the London Metal Exchange (LME) hit records above $100,000 a metric ton in March 2022 as bets on lower prices were slashed in a move triggered by low stocks in LME approved warehouses and Russian supply angst after Moscow invaded Ukraine in February 2022.

Since then accelerating output from top producer Indonesia and slowing demand from the battery industry saw nickel prices collapse to three-year lows of $15,840 last November, a level nearly reached again in January. They are now around $17,800.

Macquarie analyst Jim Lennon has cut his forecast for the nickel market surplus to below 40,000 tons for 2024 from more than 100,000 tons previously.

"It's still an oversupplied market, but it looks increasingly likely that we have seen the low point for nickel prices in this cycle."

Lennon expects robust growth in stainless production of 5.5% this year from 2023 to boost demand for lower grade nickel pig iron (NPI), mostly produced from Indonesian ore.

Stainless mills, mostly in China, account for two-thirds of global nickel consumption.

Meanwhile, analysts say nickel destocking by electric vehicle battery makers is ending and forecasts are for

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.23 / bbl	-0.65%	9.18%
NYMEX RBOB Gasoline	$2.56 / gallon	-0.65%	21.54%
ICE Gas Oil	$817.50 / tonne	-1.33%	8.89%
NYMEX Natural Gas	$1.92 / mmBtu	0.00%	-23.79%
Spot Gold	$2,115.49 / ounce	0.02%	2.56%
TRPC coal API 2 / Dec, 24	$106 / tonne	1.92%	9.28%
Carbon ECX EUA	€56.98 / tonne	-0.09%	-29.10%
Dutch gas day-ahead (Pre. close)	€27.15 / Mwh	6.47%	-14.76%
CBOT Corn	$4.30 / bushel	-0.12%	-11.26%
CBOT Wheat	$5.64 / bushel	-0.04%	-11.85%
Malaysia Palm Oil (3M)	RM3,973 / tonne	0.89%	6.77%
Index	**Close 04 Mar**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	319.85	0.11%	6.12%
Rogers International	27.28	0.28%	3.63%
U.S. Stocks - Dow	38,989.83	-0.25%	3.45%
U.S. Dollar Index	103.92	0.09%	2.56%
U.S. Bond Index (DJ)	423.20	0.03%	-1.74%

demand growth from this sector, amounting to 16% of global consumption. On the supply side, nickel's price drop has squeezed margins and producers have slashed output to the tune of around 250,000 tons last year.
"Announced production cuts, possible reassessment of some current production lower and robust stainless steel all point to smaller near term surpluses," said Jay Tatum, portfolio manager at Valent Asset Management.
Output concerns have been reinforced by delays in issuing mining permits for nickel ore in Indonesia, which produced more than half of global supplies estimated at around 3.4 million metric tons in 2023. However, expectations are for Indonesia to issue licences equivalent to last year's 200-205 million tons of nickel ore by the end of March.
"The shortage of ore could continue," Lennon said.
"What has gone uncommented on is that the government appears, so far at least, not to be issuing higher 2024 licences than in 2023 to accommodate a (market) projected 2024 10-15% rise in Indonesian production."

Top News - Carbon & Power

China sets tougher 2024 energy efficiency goal after missing 2023 target

China on Tuesday set more stringent energy intensity targets for 2024, despite missing last year's goal, as the world's biggest energy consumer tries to keep from falling further behind on its consumption targets under the five-year plan through 2025.
China is aiming to cut its energy intensity, or the amount of energy used per unit of economic growth, by 2.5% in 2024, higher than last year's missed 2% goal, the National Development and Reform Commission said in a report released at the opening of the annual National People's Congress.
The higher target follows China reporting last week its energy intensity fell 0.5% in 2023. It also missed last year's target to cut carbon emissions per unit of GDP. The world's biggest carbon emitter's desire to cut emissions and energy consumption is often at odds with the need to boost economic growth and living standards, despite pledges to do so.
"Due to the rapid growth of industrial and civilian energy consumption, reductions in energy and carbon intensity also fell short of expectations," the NDRC said in the report on Tuesday.
Primary energy production last year amounted to 4.83 billion metric tons of standard coal, 4.2% higher than 2022, the National Bureau of Statistics said last week.
Energy use per unit of economic growth fell 2% between 2020 and 2023, leaving China way behind on its five-year plan target of a 13.5% cut for the 2021-2025 period, according to research by two energy think-tanks last month.
On Tuesday, the government reiterated its pledge to step up the exploration and production of oil, natural gas and strategic minerals to ensure energy and resource security.
Despite falling short on its climate targets, it also said it would continue to promote the "supporting" role of coal-fired power in its energy system, and further develop "advanced" coal reserves.
It called for accelerating reforms of energy pricing including for the pipeline transportation of refined petroleum products.
The government will also set up a national platform of research into clean energy and storage, expanding the nation's strength in the new energy vehicle sector as well as developing hydrogen power.

EXCLUSIVE: EU wants fossil fuel sector to help pay to combat climate change, draft shows

The European Union is set to call for the fossil fuel industry to help pay for fighting climate change in poorer countries under a United Nations target, a draft document shows, as nations prepare for talks this year on a global finance goal.
This year's U.N. climate negotiations in Baku, Azerbaijan, in November, are the deadline for countries to agree a new goal of how much wealthy, industrialised nations should pay poorer ones to adjust to the most severe impacts of a hotter world.
Given the spiralling costs of deadly heatwaves, droughts and rising sea levels, the new climate finance target is expected to be far larger than the existing U.N. commitment of rich countries to spend $100 billion per year from 2020, a target they failed to meet on time.
A draft statement for a meeting of EU foreign ministers later this month showed the 27-nation country bloc will argue the oil and gas sector should also contribute.
The draft EU statement, which sets out the bloc's priorities for climate diplomacy this year, could change before foreign ministers are due to adopt it later this month.
"Recognising that public finance alone cannot provide the quantum necessary for the new goal, additional, new and innovative sources of finance from a wide variety of sources, including from the fossil fuel sector, should be identified and utilised," the draft statement, seen by Reuters, said.
Countries must decide in Baku whether the new climate finance goal will comprise only public funding, or also pull

in the private sector and international institutions, to try to reach developing nations' fast-growing needs.
The OECD has said poor nations' actual climate investment needs could total $1 trillion per year by 2025.
EU climate policy chief Wopke Hoekstra has said he will try to rally support for international fossil fuel taxes. But the road to any such agreement is steep, given the broad support needed for a global measure.
Talks at the International Maritime Organization (IMO) last year on a CO2 emissions levy for shipping were opposed by countries including China. IMO negotiations will continue this month. The draft document also said the EU will continue to demand that large emerging economies and those with high CO2 emissions and per-capita wealth - like China and Middle Eastern states - should pay towards the new U.N. climate finance goal.
Beijing has staunchly opposed this in past U.N. climate talks. The question of which countries must pay is expected to be a core issue at this year's COP29 climate summit.

Top News - Dry Freight

Ukraine slows grain exports in March
Ukraine's grain exports so far in March have decreased to 270,000 metric tons from 641,000 tons in the same period a year earlier, agriculture ministry data showed on Monday.
In February, Ukraine exported 5.8 million tons of various grains, 11.5% more than a year ago. The ministry gave no explanation for the increase.
Ukrainian grain traders union UGA said that Ukrainian combined grain and oilseed exports totalled 6.2 million tons in February versus 5.4 million in January and 5.99 million in December.
The February's volume included 2.5 million tons of wheat, 2.9 million tons of corn, 206,000 tons of barley, 285,000 tons of soybeans and 259,000 tons of rapeseeds, UGA said.
Ukraine's grain exports in the 2023/24 July-June marketing season have fallen to about 29.9 million tons from 32.9 million a year earlier, the data showed.
Exports have included 11.9 million tons of wheat, 16.1 million tons of corn and 1.62 million tons of barley.
Ukraine has traditionally exported around 95% of its grain via its deep-water Black Sea ports.
The Ukrainian government expects a harvest of 81.3 million tons of grain and oilseeds in 2023, with a 2023/24 exportable surplus of about 50 million tons.

Algeria tenders to buy nominal 50,000 T soft milling wheat, traders say
Algeria's state grains agency OAIC has issued an international tender to buy soft milling wheat to be sourced from optional origins, European traders said on Sunday.
The tender sought a nominal 50,000 metric tons but Algeria often buys considerably more in its tenders than the nominal volume sought.
The deadline for submission of price offers in the tender is Tuesday, March 5, with offers having to remain valid until Wednesday, March 6.
The wheat is sought for shipment in 2024 in two periods from the main supply regions including Europe: June 1-15 and June 16-30. If sourced from South America or Australia, shipment is one month earlier.
Algeria is a vital customer for wheat from the European Union, especially France, but Russian exporters have been expanding strongly in the Algerian market.

Picture of the Day

A satellite image of the Belize-flagged and UK-owned cargo ship Rubymar, which was attacked by Yemen's Houthis, according to the U.S. military's Central Command, before it sank in the Red Sea, March 1, 2024. Maxar Technologies/Handout

(Inside Commodities is compiled by Rohit James in Bengaluru)

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